Municipal Affairs

Annual Report
2015-16

Alberta
Government

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Municipal Affairs

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2015-16

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 20 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Municipal Affairs contains the minister's accountability statement, the audited consolidated financial statements of the ministry, and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry, including the Department of Municipal Affairs and provincial agencies for which the minister is responsible;**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Planning and Transparency Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2016, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at June 9, 2016 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

The Honourable Danielle Larivee
Minister of Municipal Affairs

Message from the Minister

Our government is committed to enhancing the quality of life for all Albertans. We have a vision of a thriving, prosperous Alberta that draws upon its resilience and optimism to face our challenges, the wisdom to build on the foundation of our strengths, and the foresight to advance in new directions that will invigorate our future.

Municipal Affairs plays an important role in helping to build that future, and with our 2015-16 annual report, I am pleased to share with you the progress we are making, the lessons learned that we are incorporating into our work, and the focus driving us forward in our business goals.

At the heart of our efforts is the unique relationship between the province and Alberta's municipalities – it is a partnership essential to building strong communities. This spirit of partnership is evident in the consultations that have been guiding the modernization of the *Municipal Government Act*. Together we have sought to make meaningful changes that both respect and empower local authority, while delivering the guidance necessary to bring consistent and collaborative leadership across the province.

While refreshed clear and dynamic legislation will underpin the roles and responsibilities of local governance, our ministry has also been fostering the recognition that intermunicipal collaboration reaps a multitude of benefits. Through various programs, including grants that build regional capacity and shared infrastructure, to emergency management training that develops co-operative relationships, the government is helping to meet the needs of individual communities and fostering partnerships and collaboration to make regions throughout our province great places to live and do business.

At the same time the city charters will address the unique challenges and opportunities faced by Edmonton and Calgary. This past year we've made important strides in the policy development that recognizes and supports the significant contributions our two largest municipalities make to our province.

As we look back on the past year and the importance of safe communities, it's impossible not to think of more current events taking place as we bring this report to you. The fires in the Fort McMurray region have been a tragic reminder of how important our emergency response and recovery programs are in protecting Albertans and their communities.

While we wish we would never have cause to draw upon our past disaster experiences, it is heartening to note the lessons learned from the southern Alberta floods and previous incidents have served us well. I am confident the improvements we've made to the Disaster Recovery Program will continue to ease the challenges ahead for so many as they rebuild their lives and communities. In this report you'll find details on a number of changes we've made to provide better support to Albertans in these times of need.

In the interests of everyday safety across Alberta, our government improved accountability in Alberta's safety system with the development of the Alberta Safety Codes Authority, a division of the Safety Codes Council. The authority will oversee the delivery of safety services, including permits and inspections in unaccredited municipalities. The link between public safety and the construction industry was also strengthened by improving the user-friendly online system supporting clients of the New Home Buyer Protection Office.

These are just a few examples of the work we've achieved over the past year, and you find greater detail and much more in the pages that follow. As we move from one year to the next, Municipal Affairs will continue to fine-tune programs, invest in the right tools, and deliver a wide variety of services and supports.

We look forward to our ongoing work with our municipal and community partners, as together, we dedicate ourselves to building stronger communities and an even better Alberta.

[Original signed by]

The Honourable Danielle Larivee
Minister of Municipal Affairs

Management's Responsibility for Reporting

The Ministry of Municipal Affairs includes: the Department of Municipal Affairs and the Safety Codes Council. The ministry also includes the Special Areas Board and seven improvement districts, which are accountable to the minister.

The Department of Municipal Affairs consists of the Municipal Assessment and Grants Division, the Municipal Services and Legislation Division, the Public Safety Division, the Alberta Emergency Management Agency, the Corporate Strategic Services Division, the Municipal Government Board, and the New Home Buyer Protection Board.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports, and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Municipal Affairs. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- **Reliability** – Information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- **Understandability** – the performance measure methodologies and results are presented clearly.
- **Comparability** – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- **Completeness** – goals, performance measures and related targets match those included in the ministry's Budget 2015.

As deputy minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Municipal Affairs the information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

Brad Pickering
Deputy Minister of Municipal Affairs
June 9, 2016

RESULTS ANALYSIS

Ministry Overview

The Ministry of Municipal Affairs

The Ministry of Municipal Affairs invests in families and communities through its programs and activities in support of safe communities and responsible, collaborative, and accountable local government to help Alberta reach its full potential.

The ministry consists of the Department of Municipal Affairs and the Safety Codes Council. The ministry also includes the Special Areas Board and seven improvement districts, which are accountable to the minister. An eighth improvement district, Kananaskis Improvement District, is administered by the Ministry of Environment and Parks.

The Department of Municipal Affairs consists of the Municipal Assessment and Grants Division, the Municipal Services and Legislation Division, the Public Safety Division, the Alberta Emergency Management Agency, the Corporate Strategic Services Division, the Municipal Government Board, and the New Home Buyer Protection Board.

The Department of Municipal Affairs

Municipal Assessment and Grants Division

This division administers several provincial and federal grant programs – including the Municipal Sustainability Initiative – that are directed at Alberta communities and municipalities.

The Municipal Assessment and Grants Division also administers the policies and procedures for property assessment, reviews and audits municipal property assessments, and determines each municipality's share of the provincial education property tax. The division also does the assessment on linear properties for municipalities. Linear properties include things such as oil and gas wells, pipelines, electric power systems and telecommunication systems.

Municipal Services and Legislation Division

The Municipal Services and Legislation Division supports municipalities in meeting their mandate to provide accountable and effective local governance to the residents of Alberta. This is done through the work of three distinct but connected teams: the Municipal Services Branch, the Major Legislative Projects and Strategic Planning Branch, and the Special Areas Board. Through these teams, the division provides support services and advice to municipalities in line with the ministry's Municipal Sustainability Strategy, co-ordinates support for municipal recovery efforts from major disasters, manages the ministry's major legislation governing municipalities, leads major policy initiatives relating to municipal-provincial relations, and co-ordinates the ministry's stakeholder relations with key municipal associations at major conferences and regional meetings.

Public Safety Division

The Public Safety Division administers a framework of safety codes and standards, supports Alberta's fire services, and oversees the mandatory new home warranty framework.

The division administers the *Safety Codes Act*, which establishes codes, standards and administrative processes in 10 disciplines: 1) building, 2) fire, 3) plumbing, 4) gas, 5) electrical, 6) elevators, 7) amusement rides, 8) passenger ropeways (i.e. ski lifts), 9) pressure equipment, and 10) private sewage disposal systems.

The division provides support and advice to fire departments and municipalities about fire service, and works with government departments, municipalities, First Nations and other stakeholders to promote fire and injury prevention and support effective community risk management. The division also supports the search and rescue groups in the province by offering grants and training support.

The New Home Buyer Protection Office is responsible for overseeing and enforcing the *New Home Buyer Protection Act*, which establishes regulatory requirements for mandatory new home warranties.

The division also works with the Safety Codes Council to assist and monitor municipalities, corporations, and three delegated administrative organizations that have been accredited to administer safety codes and standards.

Alberta Emergency Management Agency

The Alberta Emergency Management Agency (AEMA) works with emergency management partners to provide a province-wide emergency management system that protects Albertans, their property, and the environment against all hazards. This includes the co-ordination of emergency or disaster response and recovery activities, and providing direct assistance to local authorities when required. The AEMA provides strategic policy direction and leadership through the co-ordination of emergency management programs that include aspects of mitigation, prevention, preparation, response, and recovery.

The AEMA supports the continuous improvement of Alberta's emergency management system and assists with the development of sustainable emergency management capabilities, emergency social services, emergency 911 support and amateur radio operators in Alberta's communities, industries, and government. The AEMA collaborates with provincial, territorial, federal and international stakeholders to promote a comprehensive approach to emergency management that enhances the safety of all Albertans.

Corporate Strategic Services Division

The Corporate Strategic Services Division helps the ministry achieve its outcomes by providing: financial services; information management; legislative and administrative services; strategic planning; reporting and policy services; and information technology support.

The division also includes the Public Library Services Branch, which supports the province-wide public library network in its provision of library services, and provides operating funding to municipal and regional library system boards to help them capitalize on the use of technology and share library resources across the province.

Municipal Government Board

The Municipal Government Board conducts independent and impartial quasi-judicial tribunal functions required by the *Municipal Government Act* to make decisions about land planning issues, assessment complaints and any other matter referred to it by the Minister of Municipal Affairs or Lieutenant Governor in Council. Land planning issues that come before the board include subdivision appeals, annexation recommendations and intermunicipal disputes. Assessment disputes relate to equalized assessment and linear property (e.g. oil and gas wells, pipelines, and power generation plants).

The board also supports Assessment Review Boards across the province by assigning members to hear and make decisions about municipal assessment complaints. Another function of the board is to provide training and certification for Assessment Review Board clerks and board members.

Members of the board have an extensive amount of appraisal, assessment, legal and land planning expertise, ensuring all stakeholders receive a fair, timely and well-reasoned decision.

New Home Buyer Protection Board

The New Home Buyer Protection Board hears appeals of decisions issued by the New Home Buyer Protection Office regarding the following: owner-builder authorizations, hardship exemptions, status determinations, compliance orders, and administrative penalties.

Other Entities

The Safety Codes Council

The Safety Codes Council is a corporation established under the *Safety Codes Act*. Its responsibilities include assisting government in the formulation of Alberta's safety codes and standards and advising the minister on related matters; training and certifying safety codes officers; accrediting municipalities and corporations to administer the act; and accrediting agencies that provide services to accredited entities. The council also administers an appeals process for decisions made under the *Safety Codes Act*.

Special Areas Board

The Special Areas Board is appointed by the Lieutenant Governor in Council and is responsible for the administration of 2.5 million acres of public land in southeast Alberta and the provision of municipal services to residents of this rural region. The mandate of the Special Areas was established in 1938 at a time of severe drought, economic depression, over-cultivation of land in the region, out-migration, loss of lands by homesteaders through non-payment of taxes, and municipal bankruptcies. The Special Areas Board was created to bring stability to the region, and the board continues to apply policies that are particularly suited to the sustainability of public lands in this ecologically fragile part of the province.

Improvement Districts

Municipal Affairs provides limited municipal services in seven improvement districts, including Waterton Lakes National Park, Banff National Park, Jasper National Park, Elk Island National Park, Wood Buffalo National Park, Willmore Wilderness Park, and Improvement District No. 349 (located in northeastern Alberta). The Government of Alberta, through Municipal Affairs, is responsible for all functions of local government in these improvement districts, including the levy and collection of taxes.

Support Services

Human Resource Services

Human Resource Services plans, develops and delivers the department's strategic human resource programs, as well as day-to-day human resource services. Its responsibilities include promoting strategic human resource planning in alignment with business goals and objectives, supporting the attraction and engagement of high-calibre staff, and building employee capacity to achieve business plan goals.

Legal Services

The Legal Services Branch provides legal services to the department's divisions and associated boards. The branch's responsibilities include participating in special projects, reviewing legislation and regulations, offering legal advice and written opinions, and preparing and reviewing legal documents.

Communications

The Communications Branch provides strategic communications advice, consulting services, and planning and communications support to the minister, deputy minister, and ministry staff to communicate effectively with stakeholders, the media, and Albertans. The branch also provides issues management, writing and editing, and media relations services.

Discussion and Analysis of Results

Executive Summary

The Ministry of Municipal Affairs delivered on the commitments in its 2015-18 business plan, while also continuing its day-to-day operations that do not appear in the business plan. The ministry made great strides in its work on the modernization of the *Municipal Government Act* (*MGA*), and the development of city charters for the cities of Edmonton and Calgary. It also continued its work toward making the adoption of new safety codes more efficient, and improving the Disaster Recovery Program.

The work around the modernization of the *Municipal Government Act,* which began in 2012, and includes as a key component an emphasis on municipal partnerships and collaborative approaches to the delivery of services, has been meeting some key milestones. The government committed to introducing a bill in the Legislative Assembly in the spring of 2016 to put forth the final round of proposed amendments to the *MGA* for feedback from Albertans, and met this commitment with the tabling on May 31, 2016 of the *Modernized Municipal Government Act*. The logistics of modernizing this substantial act have been challenging on a number of levels. Looking forward, the development of associated regulations – in consultation with stakeholders – and providing support to municipalities as they adapt to the legislative changes will continue to draw heavily on the ministry's resources.

The ministry also made great progress toward the development of city charters for the cities of Edmonton and Calgary. The legislative groundwork was laid in the spring of 2015 and the charters are being developed in three phases – with phase one nearly complete and phase two well underway.

In 2015-16, changes were made to regulations that will enable the adoption of new safety codes as they are published. With this improved process, new code editions will be adopted as 'in force' by default 12 months after they are published. This shift in approach is meant to speed up the time it takes for a vetted and published code edition to be adopted in Alberta, which will give industry and trades in the province faster access to more modern standards based on the latest expert research and industry best practices.

It's been a building year for the Disaster Recovery Program, as staff drew on experiences from, and the ministry's response to, recent disasters, including the 2011 Slave Lake fires and the 2013 flooding in southern Alberta, to build a more robust and efficient program. The ministry continued to improve and build upon changes to the program administration made in 2014-15 – including an improved case management model focused on accountability, transparency, and good public service – and clarified internal program procedures and processes. This is proving to be extremely valuable as the Government of Alberta provides support to the

Regional Municipality of Wood Buffalo and its citizens in response to, and recovery from, the Fort McMurray wildfire that began in early May 2016.

The ministry also invested in public infrastructure by providing funding to municipalities through the Municipal Sustainability Initiative to help address priority infrastructure needs, capacity building activities and other pressures.

Strong efforts to strengthen regional planning and service delivery for all Albertans were also pursued. Through programs such as the Collaborative Governance Initiative, the Alberta Community Partnership Program and support for regional collaboration in the capital and Calgary metropolitan regions, the ministry has supported municipalities in their efforts to find efficiencies and ensure a high quality of life for Albertans.

While the ministry has made tangible progress on its priorities, challenges and opportunities were also evident. For example, as work to transfer the administration of the Disaster Recovery Program from a contracted service provider to the Alberta Emergency Management Agency occurred, the temporary nature of staff contracts and the stressful nature of the work contributed to a high level of turnover in staff and management. To improve overall organizational effectiveness, a new organizational structure was introduced with the hiring of permanent staff for key positions and the allocation of staff to improve the program's efficiency and integrity.

In addition, despite some timing delays, further opportunities on the *MGA* review were realized with the government's commitment to a new era in provincial-municipal relations, one where communities work together to create a more collaborative, modern, efficient and sustainable future. Following the *MGA* bill's introduction in the spring of 2016, Municipal Affairs has been touring the province to listen to Albertans about the proposed legislation before its reintroduction in the Legislature later in 2016.

Further, recognizing Alberta's economic situation, the ministry continues to be committed to providing predictable funding for municipal infrastructure. Looking forward, the expiry of the Municipal Sustainability Initiative (MSI) 10-year funding agreements with municipalities in March 2017 will introduce opportunities to work together with municipalities and build on the foundation of the MSI to enhance the predictability of funding.

Desired Outcome One: *Albertans live in viable municipalities and communities with responsible, collaborative, and accountable local governments*

In working toward achieving this desired outcome, the ministry identified the following priority initiatives in its 2015-18 business plan.

Priority Initiative 1.1 *– Update the Municipal Government Act to support Alberta's municipalities in governing in an accountable, collaborative, sustainable, inclusive and effective manner*

The review of the *Municipal Government Act (MGA)* has been a multi-year project that began in 2012 and has involved a great deal of consultation with stakeholders and the public. When the 1995 version of the *MGA* came into effect, it was widely regarded as a model piece of legislation in Canada. Compared to previous statutes, the "new" *MGA* gave municipalities a much greater degree of autonomy to carry out their activities.

However, in the time that has passed since its adoption, many suggestions have come forward for changes to the act and new concepts have emerged on matters relating to municipal roles and governance. After a comprehensive review of these suggestions followed by a robust period of engagement and discussion with stakeholders in 2014 and early 2015, 54 policy issues were identified as potential areas for review. These issues fell under the following themes:

- provincial-municipal relations;
- accountability and transparency;
- governance;
- viability;
- regional decision-making;
- revenues;
- property assessment and taxation; and
- managing growth.

For more information on each theme and the issues that fall beneath them, please see the *MGA* review website at **www.mgareview.alberta.ca** under "How we Consulted."

In March 2015, a first round of amendments was passed to reflect policy changes that were broadly supported among interested parties. Several of the changes under the "accountability and transparency," "governance," "viability," and "managing growth" themes were addressed through this legislation. Once in force, these amendments will increase accountability of elected officials, standardize requirements for municipal corporate planning, and clarify and modernize many aspects of municipal operations and planning. In the months following the approval of these amendments, ministry staff met with several groups and attended a number of stakeholder conferences to outline those changes and timelines for implementation.

In September 2015, the new Alberta government announced its commitment to the modernization of the *MGA,* which included, as a key component, an emphasis on municipal partnerships and collaborative approaches to the delivery of services. In his speech to the fall 2015 convention of the Alberta Urban Municipalities Association, former Minister of Municipal Affairs Deron Bilous announced that the Alberta government is "committed to a new era in provincial-municipal relations, one where communities work together to create a more collaborative, modern, efficient and sustainable future." The government also committed to introducing a bill in the Legislative Assembly in the spring of 2016 to put forth the final round of proposed amendments to the *MGA*. On May 31, 2016, the *Modernized Municipal Government*

Act was introduced, completing the work on the policy themes that were announced in January 2015, which included:

- fostering regional partnerships to better serve Albertans;
- building better, more complete communities;
- supporting small business and industry competitiveness; and
- enhancing municipal accountability.

The bill's introduction is being followed by a period of feedback in the spring and summer of 2016 as Municipal Affairs tours the province to hear Albertans' comments on the proposed legislation. If necessary, adjustments may be made to the bill prior to its reintroduction in the Legislature in fall 2016. The final amendments to the *MGA* and its associated regulations are targeted to be in place prior to the municipal elections of October 2017.

A special sub-committee of Cabinet, consisting of the Ministers of Economic Development and Trade, Finance, and Municipal Affairs, has been formed to ensure the renewal of the *MGA* moves forward as planned.

During the course of the *MGA* review, timelines have been revised when necessary to respond to unforeseen events or emerging priorities. For example: scheduling was adjusted following the 2013 floods in order to divert resources to help flood-stricken communities; the timeline was modified following the *MGA* regional consultations of early 2014 in order to allow further time to consider the issues and talk with key stakeholders; and following the election of a new government in May 2015 the schedule was amended in order to finalize policy proposals and draft legislation that reflected the priorities of the new Government of Alberta leadership.

A series of focus group discussions among key stakeholder organizations concluded in summer 2015. These discussions provided stakeholders with opportunities to exchange perspectives, helped the ministry in its policy analysis, and ultimately led to consensus on a number of legislative changes. The focus groups included representatives from the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the cities of Calgary and Edmonton, and business and industry groups.

The review and update of the *MGA* has been an immense undertaking that has placed a major demand on ministry resources through all phases of the process, including research, policy analysis, consultations, development of policy recommendations, and drafting legislation. The government's passing of the *MGA* amendments will represent a major milestone for the ministry, but there will be a continuing need to carry on with essential tasks relating to the implementation of the new legislation. This work includes the development of associated regulations in consultation with stakeholders, and the provision of support to municipalities as they adapt to the legislative changes.

Priority Initiative 1.2 *– Work with the cities of Calgary and Edmonton to ensure the city charter process is mutually developed so that these major metropolitan centres have the tools to govern efficiently and effectively over the long term.*

Currently, Calgary and Edmonton are governed by the *MGA*, which for the most part has been a one-size-fits-all approach to serving all of Alberta's municipalities. The *MGA* helps to define how Alberta's municipalities operate, including how they function, develop land and raise funds for services and other needs of citizens. Calgary and Edmonton, because of their size and their leading roles in their regions, are hubs of opportunity, but they also face unique challenges and issues compared to other Alberta municipalities.

The charters are intended to address the evolving needs and capabilities of Calgary and Edmonton by providing the two cities with the flexibility and the necessary tools to manage local affairs in a manner that best serves their communities. The province worked in partnership with the cities of Calgary and Edmonton throughout 2015-16 in order to advance the development of city charters.

The charters will articulate roles and responsibilities that reflect the respective strengths of the cities and the province, and set out mechanisms for open and ongoing collaboration between the cities and the province. Based on new direction from the government, the timeframe for completing the city charters was adjusted in 2015 and developmental work is on track to bring the charters into effect in 2017.

The legislative groundwork for the creation of city charters was laid in spring 2015 through an amendment to the *Municipal Government Act* that will enable regulations to be passed to establish the charters. The charters are being developed in three phases:

Phase 1

Phase 1, which is largely complete, addresses topics specific to the two cities and Municipal Affairs. Policy proposals have been developed on matters related to governance, planning and development, the administration of assessment and taxation, the building and safety codes system, and mechanisms for ongoing collaboration.

Phase 2

Phase 2 is well underway and involves the two cities, Municipal Affairs and other government ministries. All parties have identified interest in social policy and programs, land-use and environmental management, energy, transportation, and economic policy. Task teams of representatives from across government and city departments are in place to explore these interests.

Phase 3

This phase involves the development of a new fiscal framework and has not yet been formally initiated. The fiscal framework is expected to reflect new roles and responsibilities identified in the previous phases. Public and stakeholder engagement on the city charters is planned for 2016-17.

Once established by provincial regulation, a city charter will govern matters related to the administration and governance of the charter city, as specified under Section 141.5 of the *Municipal Government Act*. The charter may:

- provide the city with new powers and duties;
- stipulate that the city is not subject to certain provisions of the *MGA* or other legislation (or is subject to modified provisions); and
- may enable the city to pass a bylaw to modify or replace a provision of the *MGA* or other legislation to the extent set out in the charter.

To ensure that the public and stakeholders have opportunity to provide input on the content of the charters, the *MGA* makes two stipulations: 1) before a proposed charter is established, the province must ensure it has been published on the Municipal Affairs website for at least 60 days; and 2) before a city council gives second reading to a proposed bylaw that would modify or replace a provincial requirement, the city must hold a public meeting on the bylaw.

Priority Initiative 1.3 – ***Work with municipalities and metropolitan regions to strengthen regional planning and service delivery, to ensure that decisions on land use and service provision are made in the best interests of all Albertans.***

Regional intermunicipal relationships continue to increase in importance across the province. Many municipalities in Alberta have intermunicipal and regional agreements to achieve greater efficiency and effectiveness in the planning and delivery of municipal services. An intermunicipal finance survey sanctioned by the Alberta Association of Municipal Districts & Counties found over $160 million in both revenue and cost-saving agreements in place for 2015. These intermunicipal agreements demonstrate that many municipalities are dedicated to working within their regions to find efficiencies and help ensure a high quality of life for all Albertans. Municipal Affairs is continuing to support and promote intermunicipal collaboration as a means of ensuring responsible land-use planning, effective service delivery, and resource efficiency. The ministry is committed to supporting its municipal partners and encouraging collaboration that makes Alberta's communities and regions stronger. By working together, the province and municipalities are strengthening these services and addressing regional issues collectively.

Collaborative Governance Initiative

The ministry's Collaborative Governance Initiative provided financial support and assistance to municipalities looking to strengthen their working relationship with municipal neighbours. This initiative helps municipalities to develop protocols and agreements to guide intermunicipal or internal processes in ways that reduce conflicts and increase both efficiency and effectiveness in service planning and delivery. In the last fiscal year, the ministry supported 13 collaborative governance projects, including six new projects approved in 2015-16, that collectively involved 33 municipalities, one First Nations community, two Metis Settlements, and one regional waste commission. Two of these projects are supporting municipalities with the assessment of regional governance options to improve municipal and regional service delivery.

The demand on the Collaborative Governance Initiative program remained strong in 2015-16. Ministry staff attribute the significant interest in the program to factors such as: an increasing preference among municipal officials to collaborate earlier when it comes to addressing intermunicipal issues or needs, rather than resorting to mediation at later stages if progress is impeded by intermunicipal conflict; a tendency for joint service delivery and cost efficiencies to take greater priority in times of economic downturn; and the increased time available for elected officials to work together on collaborative planning now that councillors are elected to a four-year, rather than three-year, term of office.

Municipalities apply for this funding through the Mediation and Co-operative Processes component of the Alberta Community Partnership program. The grant is allocated in two phases:

1) an assessment phase, where up to $50,000 may be provided for a consultant who would help to assess current practices and develop new intermunicipal policies and protocols.
2) An implementation phase, through which up to $30,000 may be provided on a matching-grant basis to help the group develop and carry out a strategy to put the new policies and protocols into effect. The protocols help municipalities work more collaboratively with their municipal neighbours in order to proactively address intermunicipal and public policy issues. Drawing from an existing roster of facilitators, help is available for the participating entities to develop a framework for working together and mechanisms to handle conflict when disagreements occur.

When reviewing applications under the Collaborative Governance Initiative, ministry staff consider the proposed project's suitability under the program and the willingness (at both the council and administrative levels), readiness and capacity of the municipalities to participate in the collaborative governance project. Ministry staff also help participants create a joint terms of reference and project plan. The measure of a project's success is an agreed-upon set of protocols that is implemented and used by all participants. The protocols are submitted to the ministry as part of the compliance process and this step is tied to the grant dollars. In some instances, municipalities create specific agreements for joint service delivery or cost- or revenue-sharing. For example, one project completed in 2015-16 resulted in a joint agreement on fire and emergency services.

Regional Services Commissions

A total of 71 regional services commissions across the province deliver an array of services on behalf of their member municipalities. In 2015-16, the ministry continued with a review of all regional services commissions in Alberta to ensure this type of intermunicipal partnership, which is formally established by regulation, continues to be an effective option for municipalities wishing to jointly deliver services to the citizens of their region.

As part of this review, the ministry sought feedback from the regional services commissions about their operational and administrative challenges, and any training needs they may have. The ministry intends to use this feedback when considering future training sessions for directors and administrators of regional commissions, and for councillors of member municipalities.

Many municipalities enter into this form of regional partnership to jointly provide and operate services to supply water, manage solid waste or wastewater, assess property for taxation purposes, respond to emergencies, or carry out other activities for the communities of their regions. Ministry staff work with the commissions to help them remain in compliance with the technical requirements of the *Municipal Government Act*. This includes updating or amending regulations governing each commission in the case of substantive changes to commission services or membership.

Metropolitan Regions – Managing Regional Growth

Municipal Affairs continued to support regional collaboration in the capital and Calgary metropolitan regions in 2015-16. The ministry assigned Government of Alberta representatives to the Capital Region Board and to the working group overseeing the update of the Capital Region Growth Plan, and a cross-ministry committee was struck to work with the board to proactively address issues related to the growth plan update. Similarly, the ministry continued to work closely with the Calgary Regional Partnership and other municipalities in the Calgary region throughout the year to discuss potential implementation of the Calgary Metropolitan Plan.

Municipal Affairs provides funding to both the Capital Region Board and the Calgary Regional Partnership. For 2015-16, the annual allocation to each organization under the Alberta Community Partnership program was $3 million in support of core operating expenses. Additional funds to cover specific projects included: a cost-share grant of $315,000 from the Alberta Community Partnership program for strategic regional initiatives that focused on transit, economic development, and housing for the Capital Region Board, and $37,000 toward a facilitated process to provide input to the ministry on the board's future mandate. The Calgary Regional Partnership received a cost-shared grant of $424,100 in support of regional transit and growth projects. Co-ordinating growth and the delivery of regional services makes it easier for municipalities to provide efficient, effective services to its citizens.

In September 2015, the government announced that the *Municipal Government Act* will be amended to specify that mandatory growth management boards will be established in the Edmonton and Calgary metropolitan regions. The intent of these growth management boards is to build upon the substantial progress achieved thus far by the Capital Region Board and the Calgary Regional Partnership, and to mandate the new boards to play a greater role in the collaborative management of regional growth, the provision of shared service delivery, the pursuit of new efficiencies and innovation, the stewardship of the environment, and the diversification of the regional economy.

The ministry subsequently sought input from affected municipalities on the mandate, membership and governance of the boards. This process was completed in March 2016 and further discussions are planned for 2016-17 as regulations are prepared for the establishment of the boards.

The Alberta Community Partnership Program

The Alberta Community Partnership Program, with total funding of $40 million, continues to improve the viability and long-term sustainability of municipalities by providing support for regional collaboration and capacity building initiatives. Given the reduction in the program's budget – from $48.8 million to $40 million for 2015-16 – and a continuing high demand, a review was conducted to ensure the limited grant funds would continue to be awarded to projects that have the strongest fit with the program's objectives. The Alberta Urban Municipalities Association and the Alberta Association of Municipal Districts and Counties were consulted as part of the review on behalf of their members. The review resulted in the discontinuation of the Metropolitan Funding component, which previously provided an allocation for the nine largest Alberta municipalities, and the introduction of project ranking criteria under the Intermunicipal Collaboration component to ensure projects that receive this competitive project funding strongly demonstrate improved regional municipal service delivery.

The program focuses support on the remaining five components: 1) Intermunicipal Collaboration; 2) Municipal Restructuring; 3) Mediation and Co-operative Processes; 4) Municipal Internship; and 5) Strategic Initiatives.

Intermunicipal Collaboration, which provides support to partnerships to develop and expand regional municipal service delivery, and Strategic Initiatives, which provides support to initiatives that are strategically aligned with Municipal Affairs', or provincial priorities are highlighted below:

> **Intermunicipal Collaboration** – As in previous years, this component, which implements regional solutions to municipal service challenges, was oversubscribed due to its popularity with municipalities. This high demand for regional funding presented an opportunity for the ministry to better align the component's objectives with provincial priorities and to encourage regional relationships that promote municipal viability. The eligibility of the Intermunicipal Collaboration component was expanded and funding increased so all municipalities, including the nine previously associated with the Metropolitan Funding component, were eligible to apply. This change encourages and provides incentive for larger municipalities to collaborate with their neighbours, which brings all sizes of communities together and is in line with the ministry's continued focus to encourage all municipalities – big and small – to work with their neighbours.

In 2015-16, 94 projects were approved in support of regional approaches to municipal service delivery and governance. Municipalities used this funding to collaborate on projects related to regional land use, emergency services, water/wastewater service delivery, solid waste management, recreation, and other municipal operations. When municipalities collaborate on projects they may pursue initiatives that would otherwise be unaffordable, and they will often achieve cost advantages because of the economies of scale. When municipalities share services, each municipality commits fewer resources – allowing them to allocate resources to other priority areas.

Examples of projects include:

The County of Grande Prairie, in partnership with the City of Grande Prairie, the towns of Beaverlodge, Sexsmith, and Wembley, and the Village of Hythe, was approved for $102,000 to improve the ability of the Grande Prairie Regional Emergency Partnership to respond to large-scale emergencies by developing a related website communications strategy, and emergency operation centre web platform.

The Fishing Lake Metis Settlement, in partnership with the Elizabeth Metis Settlement was approved for $180,485 to support shared social and recreation opportunities by upgrading a multi-use recreation facility.

Leduc County, in partnership with the cities of Edmonton and Leduc, the Town of Beaumont, and Strathcona County, was approved for $350,000 to develop a drainage plan that identifies effects of regional development on the Blackmud and Whitemud Creek watershed and the requirements to mitigate these effects.

Cardston County, in partnership with the towns of Cardston and Magrath, and the villages of Glenwood and Hill Spring, was approved for $350,000 to enhance regional co-ordination of emergency services through the purchase of first responder radio and global positioning system equipment, and construction of a radio communications tower.

Strategic Initiatives – On occasion, the ministry has an opportunity to support projects with strategic significance that falls outside the scope of funding components aimed at strengthening regional planning and service delivery.

To this end, the Red Deer airport runway expansion project received $6 million in funding. The project underscores the recognition of the strong intermunicipal collaboration between the City of Red Deer and Red Deer County, and the strategic benefits of increasing the airport's capacity will allow for greater business opportunities.

Support for emergency response services on Highway 63 was also funded through the Strategic Initiatives component. Athabasca County was approved for $698,700 to support emergency response services on a 125-kilometre section of Highway 63 identified as high-risk, for two additional years. Albertans expect timely responses to accidents and other emergencies on this critical highway network. This funding alleviates the pressure on emergency response volunteers providing emergency response support to an under-serviced highway where gaps in fire, rescue, and emergency medical service, and lengthy response times occur due to heavy vehicle traffic.

***Priority Initiative 1.4** – Support the long-term recovery of municipalities affected by the 2013 southern Alberta floods.*

A municipality's recovery from a disaster can sometimes stretch over many years. When faced with a disaster of the magnitude of the 2013 southern Alberta floods it takes time for the physical environment, local economy, and community fabric to fully rebound. It is a testament to the hard work of the municipalities and citizens of southern Alberta that so much progress has been made toward the long-term recovery of their communities in the few years since the devastating floods of 2013. Many communities have been able to shift their focus away from recovery, and toward building their resiliency and preparedness for possible major flooding events in the future. This shift in focus includes significant work on mitigation measures and a greater emphasis on emergency planning.

Town of High River Long-term Recovery

The Town of High River received approximately $18 million for long-term recovery projects in 2015-16. The majority of this funding went to continuing infrastructure repairs. Much of the province's focus on long-term recovery in 2015-16 has been on supporting the Town of High River as it implements the long-term recovery plan that was developed jointly by the town and the province in 2014. High River was the hardest hit municipality in the 2013 floods in terms of the magnitude of damage, the level of support required for recovery, and the possible impacts on the community's long-term sustainability. The intent of the recovery plan is to return High River to a self-sustaining condition where it can function normally with routine levels of provincial support.

The support from the province includes:

- multi-year funding to increase municipal staffing capacity so that recovery activity is locally, rather than provincially, driven;
- multi-year property tax relief funding to reduce financial pressures on residents;
- long-term recovery funding for priorities identified by High River;
- placing ministry staff in the town to serve as an on-the-ground point of access to provincial programs and services that support recovery;
- advice, expertise and cross-ministry co-ordination on matters related to recovery; and
- collaborative work with High River and partner ministries to resolve recovery issues.

Highlights of the town's progress on key elements of the recovery plan (mitigation, reconstruction, economy, people, and the environment) include the following:

Community mitigation – Substantial headway has been made toward completing a flood mitigation system to increase High River's resiliency against future flooding. These measures include constructing permanent dikes and berms, transitioning residential lands that were purchased by the province in flood-prone areas back to a natural state, and implementing a new municipal emergency management program. The province has provided considerable financial support for mitigation works through Alberta Environment and Parks and will continue to work collaboratively with the town to complete the projects underway.

Reconstruction – Flood damage to municipal facilities in High River ranged from moderate to severe and included the town's main administrative building, water treatment plant, town garage and operations shop, and numerous other properties. All these facilities have been remediated and reopened – the last being the High River Centennial Library in October 2015. Substantial repairs have also been made on roadways and underground utilities, particularly water and sewer lines.

Economy – The 2013 flood placed an incredible strain on High River businesses and the municipality's finances. Support from the province has helped the town access resources to promote economic revitalization and future growth. This includes assistance through the Disaster Recovery Program to help small businesses rebuild, as well as funding and expertise through Economic Development and Trade. Signs of progress include increases in the number of business licences issued, recent growth in the retail sector, and a rebound in residential assessment values.
The town is implementing a long-term financial sustainability plan that outlines financial principles and policies approved by town council for fiscal stability and sustainability in coming years. The plan aims to ensure that core services and infrastructure can be maintained into the future and its development was a condition of receiving provincial revenue stabilization funding in 2014-15.

People – A number of social support systems in High River have been augmented by local and provincial partners since the 2013 flood to meet the increased demand for services and address gaps in capacity. As an example, the Disaster Recovery Program provided funding for a team of community outreach workers who helped support applicants through the Disaster Recovery Program process.

Environment – To help guide remediation activities following the 2013 flood, High River conducted an assessment of all public green spaces, parks and boulevards. The majority of damaged parks and green spaces have now been restored. The town is also adopting a number of more environmentally conscientious practices to manage these areas in a more sustainable way, including using drought-resistant plants and turf to reduce the use of water and pesticides.

The reconstruction work in High River has been, and continues to be, a considerable undertaking with a number of provincial ministries providing support for these efforts. One of the challenges has been to effectively access the wide array of funding programs available for reconstruction. Many of these funding programs have different processes and program guidelines, and a high degree of cross-ministry co-ordination has been needed to ensure provincial funding is invested efficiently and effectively, and that the town is receiving maximum benefit from the available funding.

Another lesson learned is the value of establishing outcome-based metrics and indicators as early as possible in the recovery process to provide an agreed-upon framework for reporting progress. Work commenced in 2015-16 on performance metrics and indicators to gauge High River's overall health and progress toward achieving the outcomes identified in its long-term recovery plan.

Looking to the future, the province and the town are beginning to prepare for a return to normal operations. This transition will include the phasing out of the ministry office located in town. It will be critical to take a measured approach to ensure the transition process does not leave gaps in the town's capacity to maintain momentum in its recovery process. It is anticipated that augmented provincial involvement in recovery should conclude by September 2018 as funding support winds down.

Floodway Development Regulation

The *Flood Recovery and Reconstruction Act*, enacted in December 2013, enabled the Alberta government to create a regulation to control, regulate, or prohibit land use or development in a floodway. The province is currently in the final stages of the policy and legislative approval process for the adoption of a Floodway Development Regulation. The content of the proposed regulation has been informed by public and stakeholder input. Until the regulation is adopted and implemented, development decisions continue to be guided by each municipality's land-use bylaw and policies.

Southern Alberta Flood Response Program

The Southern Alberta Flood Response Program is composed of three main components, two of which – the Municipal Staffing Capacity and Property Tax Relief components –ended in March 2016. The property taxes on Floodway Relocation Program properties will be covered until December 31, 2016, and funding for the Town of High River's long-term recovery is also provided under this program.

Municipal Staffing Capacity Funding

Municipal Staffing Capacity funding under the Southern Alberta Flood Response Program was available to help southern Alberta municipalities with reasonable, incremental staffing costs related to flood recovery initiatives. The municipal staffing capacity component of the program committed $2.6 million in support.

Examples of projects funded under this component include:

- Engineering and survey work to support flood mitigation in the Town of Drumheller.
- Flood recovery project management in the Municipal District of Bighorn.
- Staffing for disaster preparedness in the Municipal District of Foothills.

Property Tax Relief Funding

Under the Southern Alberta Flood Response Program municipalities are able to apply for Property Tax Relief funding to offset revenues lost because of municipal property tax forgiveness for residential and commercial properties affected by the flood. The revenue stabilization component of the program committed $3 million in support of both the Property Tax Relief and the Floodway Relocation programs.

Building Capacity for Future Events

The long-term recovery from a disaster of the magnitude of the 2013 floods has an impact on provincial resources, both monetary and staffing. Although the demand on resources is beginning to be phased out, demands on capacity will continue as a result of residual policy questions and the need to plan for the future.

While the primary focus since the floods has been on the long-term recovery of affected communities, work is continuing on how lessons learned can be implemented as part of an ongoing process of improvement. Discussions have begun with municipalities on ways the province can help strengthen their capacity to manage long-term recovery after a disaster. In addition, the province is looking at how it helps municipalities and how its long-term recovery supports could be improved for the future. Part of this process includes integrating recovery planning into emergency management, which was incorporated as part of Emergency Management Exercise 2016 (EMX16), a three-day exercise to better prepare Albertans for future disasters. Work continues on exploring ways to strengthen municipal capacity and better prepare the province to support recovery from large-scale disasters.

***Priority Initiative 1.5** – Provide stable, predictable funding to municipalities through the Municipal Sustainability Initiative and other grant programs to assist municipalities in meeting their strategic long-term infrastructure needs.*

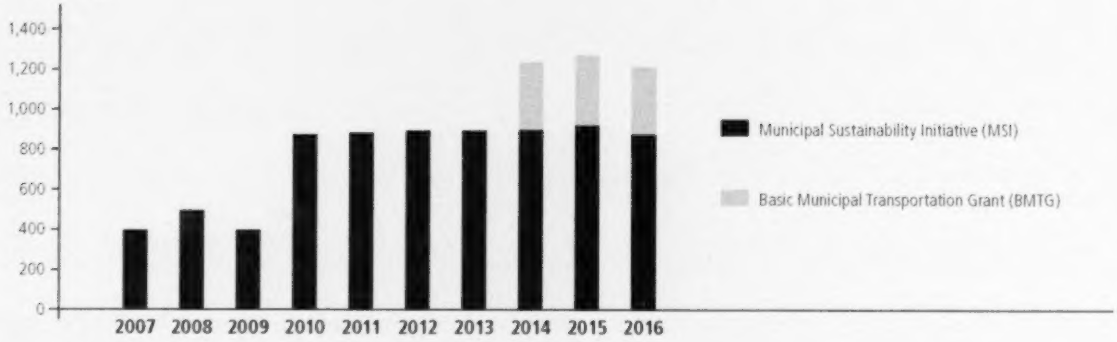
Municipal Sustainability Initiative

Stable and predictable funding for infrastructure encourages a planned approach to investments into critical infrastructure, the life span of which covers many years. It allows municipalities to plan and prioritize infrastructure based on a long term perspective, with fewer worries that significant shifts in funding will cause costly delays in required maintenance and rehabilitation or in project cancellations.

To improve the stability and predictability of provincial funds to municipalities the province introduced the Municipal Sustainability Initiative (MSI) in 2007-08. This funding program provided municipalities with provincial support for municipal infrastructure and allowed municipalities significant flexibility to invest in infrastructure based on long-term estimates of funding that were set out in agreements with municipalities.

While the initial, ten-year, $11.3 billion commitment under these agreements was not achieved due to changing economic circumstances, the program will invest about $7.6 billion in municipalities through 2016-17.

Capital funding



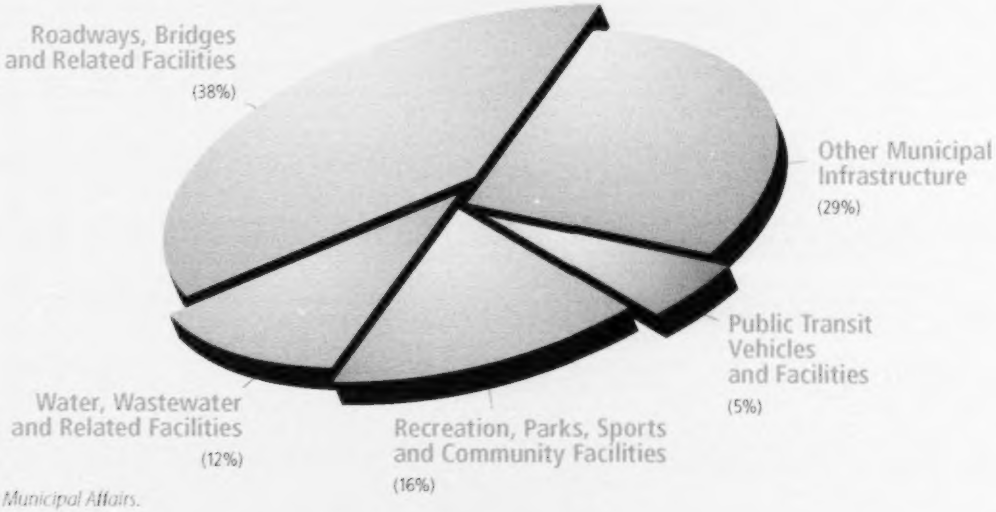
Source: *Municipal Affairs.*
Note: *The March 2015 MSI Capital allocation, while provided as part of the 2014-15 fiscal year, was included in the 2015 program year for program administration purposes. This allocation is reflected in the 2015 year in this graph, as it identifies the funding municipalities had available to them in each calendar year.*

In 2015-16, the ministry provided $876.9 million in provincial funding to municipalities through the MSI, $498.9 million from the original MSI capital budget, $349.8 million from the former Basic Municipal Transportation Grant, and $28.2 million from MSI Operating. This initiative provides financial support to municipalities to address their priority infrastructure needs and capacity building activities, and helps them manage growth pressures.

Looking forward, the expiry of the funding agreements for the MSI in March 2017 will allow the province and municipalities to work together to build upon the foundation of the MSI while reviewing opportunities to further enhance the predictability of funding under the program.

Capital Funding

MSI Capital funding of $848.7 million in 2015-16 enabled municipalities to support a wide range of local priority infrastructure projects including: roads, bridges, public transit services, vehicles and facilities; recreation, parks, sports and community facilities; water, wastewater and storm water systems; disaster and emergency services and facilities; and other municipal infrastructure.



Source: *Municipal Affairs.*

A total of 843 MSI capital projects were accepted in 2015-16. Using MSI funding, these projects will invest an estimated $1.39 billion toward stimulating Alberta's economy. A few of the projects underway include:

- Construction of the City of Calgary's outdoor police training facility;
- Rehabilitation of the City of Edmonton's fire services;
- Twinning of the City of Grande Prairie's 92 Street;
- Upgrades to the County of Athabasca's bridges;
- Rehabilitation of the County of Smoky Lake's gravel roads;
- Installation of a waterline from the County of Warner to the Hamlet of Wrentham;
- Design of an industrial subdivision in the Town of Innisfail;
- Replacement of the Town of Rimbey's water treatment plant;
- Purchase of a hydro-vacuum truck for the Town of Valleyview;
- Rehabilitation of 52 Street and 51 Avenue in the Village of Girouxville;
- Replacement of sidewalks in the Village of Warburg;
- Installation of street lights in the Elizabeth Metis Settlement.

These projects and other projects underway exemplify the benefits Alberta communities receive as a result of provincial infrastructure funding, including secure roadways and bridges, safe drinking water, responsive emergency services, and efficient and responsible long-term infrastructure planning.

Operating Funding

In 2015-16, the ministry budgeted $30 million in MSI operating funding to help municipalities address local priorities. Of this budgeted $30 million, $28.2 million was provided as operating funding, and $1.8 million was transferred to capital funding, at the request of municipalities.

Funds were allocated to projects that supported the following: municipal viability and long-term sustainability (20 per cent); the maintenance of safe, healthy and vibrant communities (46 per cent); the development and maintenance of core municipal infrastructure (33 per cent); and capacity building (one per cent).

For example, Clear Hills County received approximately $145,000 in operating support for community recreation activities such as playgrounds, gymnastics programs, and community kitchens. Red Deer County received approximately $228,000 in operating support for the intermunicipal transit bus and action bus services.

Municipal Affairs has responded to municipal requests for a simpler and more efficient online access to grant administration. In 2015-16, the Municipal Sustainability Initiative online system was enhanced so municipalities can now use it to submit all required MSI grant applications and reporting through a simple, user-friendly web-based system. It allows municipalities to obtain up-to-date information on their MSI capital infrastructure projects. This has helped to streamline the grant administration process. Access to the online system has been provided to 89 per cent of all municipalities.

To support fiscal accountability, information about the MSI is made available on the Municipal Affairs Municipal Grants Web Portal (**www.municipalaffairs.alberta.ca/municipalgrants**). This includes a summary of grant amounts by municipality and program.

A list of provincial grants available to municipalities is also maintained on the Municipal Grants Web Portal. It includes budget information, application guidelines and eligibility requirements.

Grants In Place of Taxes

Through the Grants in Place of Taxes program, $64.6 million was provided to 170 municipalities in 2015-16. This represents a $5 million increase from the previous year and was due to increases in property values and tax rates, and the acquisition or completion of new properties.

As Government of Alberta property is exempt from municipal taxation, the department gives municipalities grants in place of taxes, not exceeding the value of the property taxes on eligible Government of Alberta property within the municipality.

Examples of eligible properties include provincial buildings, court houses, correctional institutions and grazing reserves. Grants are also provided to cover the municipal portion of property taxes on specified non-profit, unsubsidized, self-contained seniors' accommodations.

In 2015-16, property tax funding in the amount of $546,479 was provided to municipalities affected by the 2013 flooding. This grant funding was provided in place of property taxes on properties purchased by the Government of Alberta's Floodway Relocation Program.

Federal Programs

In 2015-16, the federal Gas Tax Fund provided $208.1 million to municipalities to help them build and revitalize their local public infrastructure while creating jobs and long term prosperity. Eligible project categories include roads and bridges; public transit; drinking water; wastewater; solid waste; community energy systems; sport, recreational; cultural, and tourism infrastructure; capacity building; disaster mitigation; brownfield redevelopment; broadband connectivity; and local and regional airports.

Under the federal New Building Canada Fund, the Small Communities Fund's $94 million in funding is directed to infrastructure projects that benefit communities with populations less than 100,000, as determined by the Statistics Canada Final 2011 Census on a one-third cost-sharing basis. The federal, provincial, and municipal governments all provide equal amounts toward eligible project costs. Fifty-six projects were approved and $56.2 million was committed to these projects in 2015-16, including: 24 drinking water and 24 wastewater projects, four projects involving major roads, two disaster mitigation projects and one project each for disaster mitigation and solid waste management.

The new federal Gas Tax Fund required that an asset management approach be developed. The goal of infrastructure asset management is to meet a required level of service in the most cost effective manner, by managing assets for present and future customers. It is critical, as it allows municipalities to determine their long-term strategic infrastructure needs. Municipal Affairs worked with municipal representatives to develop an approach to asset management that includes:

- Publishing an inventory of current asset management tools and resources.
- Supporting the development of new tools that support asset management.
- Enhancing existing advisory services and training opportunities.
- Assessing existing gaps and expanding tools and resources where required.
- Reviewing corporate planning requirements as part of the *MGA* review.

Municipal Affairs will continue to work in partnership with municipalities to develop details of the approach and provide supports where required in asset management practices.

***Priority Initiative 1.6** – Consult with municipalities to review the linear assessment and property tax system.*

Linear property is located primarily in rural municipalities and includes gas and oil wells, pipelines, telecommunications and cable property, and electric power systems. Linear assessments are currently prepared by the ministry. The ministry sends linear assessment notices and provides details of these to municipalities and linear property owners. Municipalities use this information to produce property tax notices. Some stakeholders have raised concerns about the equity of the current distribution of linear property taxes and have asked if there is there a better way to manage this important revenue stream for municipalities.

As part of the *Municipal Government Act* review, Municipal Affairs asked municipalities to comment on the state of Alberta's property assessment and taxation system. This included discussion about the implications of the distribution of linear properties across the province.

The Minister of Municipal Affairs and ministry staff met with the Alberta Urban Municipalities Association; the Alberta Association of Municipal Districts and Counties; and with individual municipalities, elected officials, and administration to ensure all sides of the issue were examined.

Assessment of Linear Property

The ministry prepared the linear property assessments of 982 companies on behalf of 343 Alberta municipalities. This assessment will generate more than $1 billion in municipal and education property tax. For the 2016 tax year, the total linear property assessment was $76.3 billion, representing a decrease of 2.53 per cent from 2015. This change was primarily attributable to inflationary changes in assessed values, as well as changes to the provincial inventory of linear property. The Annual Linear Property Assessment Report was published to the Municipal Affairs website.

The ministry also responds to linear property assessment complaints filed with the Municipal Government Board. For the third year in a row there were no complaints requiring a hearing before the board. Staff worked with two complainants from the previous year, and were able to resolve all issues before a board hearing was required. This year, the ministry received three complaints. Staff will work collaboratively with the complainants to determine whether the issues can be resolved in a fair and equitable manner before a board hearing is required. Ministry staff prepare the annual linear assessment with a high degree of stakeholder engagement and with a focus on accuracy and transparency in the assessment process.

Standards for Assessment Quality

The Assessment Audit Program is a key component of the ministry's objective to promote an assessment and property tax system that is accurate, predictable, fair and transparent. The ministry oversees the assessment system to ensure legislated quality standards are met and assessment practitioners across Alberta follow industry best practices. Property assessment and property taxes are an important focus for the ministry as Albertans expect municipal councils to balance the needs of all citizens.

This is achieved by having a rigorous annual audit process completed on the property assessment roll of every municipality in Alberta. The purpose of the annual audit is:

- to evaluate and report on compliance with assessment quality standards for property assessed at market value within each municipality; and
- to ensure accurate residential and non-residential assessment levels are available in a timely manner for the preparation of the equalized assessment for each municipality (equalized assessments are used to distribute education tax requisitions among municipalities, and for intermunicipal cost-sharing as well as ensuring grants can be fairly allocated).

There is a significant rate of compliance with assessment quality standards by the municipal assessors. Because of the strong communication and positive working relationship between auditors and assessors, many issues are identified and resolved before assessment data is submitted to the province.

The ministry will continue to work with assessors to improve the quality and consistency of assessment information reported to the province. Increasing compliance with reporting requirements ensures quality assessment information is available to support an open and transparent audit and equalized assessment process and data sharing.

To support the assessment system, the ministry:

- Reviewed 126 crown properties, down 24 from last year but within normal year-to-year fluctuations.
- Performed annual assessment audits on all municipalities in Alberta.
- Conducted detailed assessment audits of six municipalities.
- Conducted compliance reviews for four residential property owners regarding their access to assessment information. Municipal Affairs assisted taxpayers in obtaining assessment information in three instances and completed a full compliance review on the other instance. The full compliance review resulted in a finding of noncompliance with the requirements of the *Municipal Government Act*. Municipal Affairs staff worked with the non-compliant municipality to improve their processes so that sufficient assessment information is available to taxpayers in the future.

Well Drilling Equipment Tax Rate Regulation

The Well Drilling Equipment Tax is a one-time tax on oil and gas drilling equipment in the year in which a well is drilled. The intent of this tax is to help offset costs incurred by municipalities to maintain roads used by well-drilling equipment. In 2015-16, the renewed regulation updated the tax rates for well drilling equipment that councils are authorized to impose by way of bylaws. Municipal Affairs also created a new report on well drilling activity to help municipalities identify new wells drilled within their boundaries.

This year, the department consulted with stakeholders about enhanced recording and reporting requirements for municipalities. As a result of these consultations, municipalities now have enhanced reporting requirements concerning road construction and maintenance costs. Municipalities will report this information to the province, and the province will provide an Internet portal for well-drilling equipment tax information at a future date.

2015 Minister's Guidelines for Regulated Property

The 2015 Minister's Guidelines for Regulated Property set out the rates, factors and procedures used in the assessment process for all regulated property in Alberta, which includes linear property, machinery and equipment, railway property, and farm land. These guidelines are updated and published annually to adjust for year-over-year construction cost changes, and update depreciation factors.

Education Property Tax and Equalized Assessment

Education property taxes provide a stable source of funding for the education system. The Government of Alberta determines the total amount of education property tax to be collected. In 2015-16, this was $2.3 billion. The ministry supports the provincial education property tax system by calculating the annual education property tax requisition for each municipality. Municipalities collect the education property taxes and remit them to the Alberta School Foundation Fund or the opted-out separate school boards. All education property taxes are pooled by the province and distributed to public and separate school boards based on an equal per-student funding formula.

The 2016 education property tax requisition – based on the 2016 provincial equalized assessments – was released to municipalities on April 14, 2016. The equalized assessments are based on the value of the taxable property within each municipality in Alberta. The total value of the 2016 provincial equalized assessment increased by about $75 billion (nine per cent) over 2015. The increase is due to market value increases to property value and new construction.

***Priority Initiative 1.7** – Enhance Albertans' access to public library resources by continuing to provide operating grants and invest in the province-wide library network.*

Public libraries help support strong and healthy communities in Alberta. They are where Albertans go to connect to the world of information, borrow a novel, learn a second language, access high-speed internet; to name a few things. It is important to the well-being of all Albertans and their communities that they have access to public library resources, regardless of where they live. The Government of Alberta promotes a provincial public library network that provides all Albertans with access to library resources, including; inter-library loan service and delivery, SuperNet connections for video conferencing and access to e-content, and a number of digital materials made available to all public libraries.

Municipal Affairs works to strengthen municipal and regional library systems to provide Albertans with access to library services. In 2015-16 the branch achieved this through several key initiatives:

Enhancing the Organizational Capacity of Library Boards

Public library service is delivered at the municipal level and is governed by library boards. Different municipalities have different needs and learning environments that can be supported through access to library resources. To support these needs, the ministry undertook work to optimize library performance and service models in Alberta. In 2015-16, this included the *Research Project on School Housed Public Libraries in Alberta*, accomplished by a census of public libraries housed in schools that resulted in a more comprehensive understanding of the benefits and challenges of these arrangements. Data gathered from this research project will help library boards provide municipal public library service from school buildings.

To support good governance and management of public library service the ministry provided library boards with consulting, training sessions on library planning and policy development, and other support materials used to develop sound management and operational practices. In 2015-16 some services included:

- a Board Basics Program delivered to over 100 library board trustees in 10 locations; and
- presentations on subjects such as development of the Alberta library network, e-books and e-content in library collections, and inter-library loan delivery service were offered to a broad representation of public library stakeholders at five regional library system conferences and at the Alberta Library Conference.

Operating Grant Funding

In 2015-16, the Government of Alberta increased funding for operating grants to public library boards by $3.5 million, which adjusted the grant to be paid based on the current (2014) population. It also included a 10 cent increase in the per capita funding rate. Previously, the operating grants had been based on the 2010 population, which led to fast growing communities asking the government to update funding to current population levels. The increased operating grants help public libraries keep pace with growing demands and ensure Albertans have access to new materials, innovative programming, and e-books. The increased funding has also helped libraries support individuals looking to improve their employment skills and new Canadians, including refugees who are using the public library to improve their English. While adjusting the operating grants to the 2015 population in Budget 2016, the government will face challenges in continuing to increase funding in future years if the current fiscal environment does not improve.

Indigenous people on First Nations reserves and Metis Settlements remain underserved, and the ministry is exploring ways to enhance this access beginning in 2016-17.

Electronic Resources

Enhancing the availability and scope of electronic resources in order to capitalize on the use of modern technologies by libraries and library users, is one of the ways the ministry partners with its public library stakeholders. The investments made by the government benefits library boards by allowing them to reallocate local funds into other resources that meet local needs, thereby widening the range, quantity and quality of library resources available to Albertans. In 2015-16, e-resource contracts were extended for a two-year period to ensure uninterrupted service while allowing the branch adequate time to evaluate and procure replacement e-resources.

Managing SuperNet service and functionality for the Alberta library network is an increasingly important part of the work to extend equitable access and expand available resources. The ministry subsidizes SuperNet use for all library boards. In 2015-16, SuperNet use was enhanced in order to optimize present and future bandwidth needs for library boards.

Public Library Services Branch Symposiums

In February 2015, the ministry hosted a symposium to discuss the challenges and opportunities for providing services to people with print disabilities. Based on information from the symposium, a policy framework was established supporting library access to online resources for persons with print disabilities, and an online training course was piloted for front-line library staff.

Building on the success of the 2015 symposium, the ministry hosted a symposium in February 2016 that identified the needs and challenges of providing library services for pre-school children.

Resource Sharing

There is continued support for resource sharing among Alberta's 320 public libraries. Resource sharing supports are provided through electronic software, physical delivery of material by inter-library loan, and a policy framework to govern these services. In 2015-16, the ministry met with stakeholders to review resource-sharing policies and best practices.

Minister's Awards for Excellence in Public Library Service

In 2010, the Minister's Awards for Excellence in Public Library Service program was introduced in response to government direction to designate public libraries with innovative programs, services, or technologies as centres of excellence. The awards recognize excellence and innovation in public libraries annually.

This awards program is a way to identify, acknowledge and encourage best practices, and to capture and communicate ideas that can be replicated by libraries across Alberta.

The program is open to all public library boards in Alberta. The awards identify, acknowledge and encourage best practices, and capture and communicate ideas that can be replicated by libraries across the province. Four winners were selected in 2015:

City of Airdrie Library Board
"Early Literacy Partnership – Travelling Tales & Tunes"

Airdrie Public Library, Community Links and Rocky View Schools Community Learning worked in partnership to enhance early literacy in families in the community. Together they offered programs such as BabyTime and ToddlerTime, and Rhymes that Bind.

City of Grande Prairie Library Board
"LibriCon"

On September 30, 2014, the Grande Prairie Public Library hosted a ComicCon, inviting people of all ages into the library to participate in a variety of programs aimed at hobbyists and enthusiasts of comic books and graphic novels, anime, television, novels, and science fiction/fantasy. One of the main draws of LibriCon was the Cosplay Contest, which gave participants the chance to dress up as their favourite characters and show off their creativity. More than 75 people participated and the winners were dressed as characters from Star Wars, Game of Thrones, Minecraft and Guardians of the Galaxy.

City of Spruce Grove Library Board
"Innovation Lab – Technology Makerspace"

Inside this futuristic, experimental, instrumental, and retrospective room, there are endless opportunities – including taking a virtual vacation to Iceland, creating a new electrical design for door bells, editing original songs and scores, and typing a letter on a typewriter.

Westlock Intermunicipal Library Board
"Movie Cost-Sharing Initiative for Yellowhead Region Member Libraries"

When Westlock Libraries' Director surveyed fellow Yellowhead Library System's member libraries to determine how many Audio Cine Films licenses might be requested within the region if rates could be reduced, 19 libraries expressed interest. The Director proposed a regional cost-sharing initiative to Westlock Intermunicipal Library Board that would reduce the price of licenses for any library within Yellowhead Library System that wished to participate in the program.

The end result was that 19 libraries shared the cost of all licenses, which was significantly less than if the libraries decided to support family movie programs as individual entities. These 19 libraries now have rights to advertise and show movies from any movie house.

The Inaugural YOU Libraries Award

The inaugural YOU Libraries Award was chosen by a popular vote open to all Albertans. All applications/nominations for the 2015 award met the Minister's Awards criteria. The recipient of the inaugural YOU Libraries Award was the Sheep River Library Board.

Sheep River Library Board "Sheep Ramblers Program"

The Sheep Ramblers program provided participants with learning opportunities from experts, teachers, and specialists about:

- the benefits of healthy, outdoor exercise;
- how to utilize equipment to one's benefit (walking poles, snowshoes, proper footwear, appropriate clothing etc.);
- geology, geography, flora and fauna, and wildlife; and
- using a compass and map reading skills.

A walking program was planned to include seniors and newcomers to the community.

***Priority Initiative 1.8** – Assist municipalities to build capacity and accountable municipal operations through the Municipal Sustainability Strategy, the Municipal Internship Program, training opportunities, financial management support, reviews, inspections and other outreach and advisory activities.*

Ongoing Advisory Role

Providing day-to-day advice, information and training to municipalities is an essential role of Municipal Affairs, one that helps municipalities build their capabilities, and supports the ongoing effectiveness of local government. Ministry staff work with, and provide advice to, municipalities, residents and stakeholders in the areas of finance, governance, administration, land-use planning, property tax and assessment, municipal restructuring, dispute resolution, and local elections.

Through these efforts, the ministry helps municipalities understand and fulfill their legislated obligations to provide transparent, accountable and responsible local government, and helps citizens understand what they can expect from their local governments. The ministry carries out this advisory role in a variety of ways, including:

- responding to phone inquiries and correspondence;
- providing training sessions;
- visiting municipalities to provide advice or conduct inspections;
- publishing handbooks and other resource materials;
- helping with website content; and
- participating in meetings and conferences.

In the past year, the ministry has proactively reached out to municipalities with new chief administrative officers to promote the advisory services and training workshops. As a result, the ministry received an increased number of requests for training regarding the respective roles of a municipality's council and administration. These requests appear to be related to an increasing awareness that councils need to focus on their responsibility to develop and evaluate the policies and programs of the municipality, while allowing room for their administration to carry out their duties and functions without interference.

This is important not only because it is in line with the legislated model for municipal government, but also because municipalities that understand and respect the complementary roles of governance and administration have a history of high performance. In 2015-16, the ministry provided training sessions on roles and responsibilities in 24 municipalities. These sessions were attended by both councillors and administrative staff.

Regional Training Sessions

In 2015-16, the ministry hosted five regional training sessions that were designed for municipal staff from small- and medium-sized communities. Each session covered a range of topics relating to the responsibilities of municipal administrations, such as roles and responsibilities of municipal officials, policies and bylaws, tax rate bylaws, tax recovery, meeting procedures, census taking, communication, conflict management, grants, and subdivision and development appeals. In total, 211 individuals representing 127 municipalities attended the sessions, which were held in Brooks, Athabasca, Cochrane, Ponoka, and Valleyview.

The ministry also delivered six Subdivision and Development Appeal Board training sessions to 150 municipal attendees. As decisions on these types of appeals influence communities and affect the lives of citizens and businesses, it is crucial that the public have confidence in the quality of the decisions and the decision-making process. The training for board members includes an overview of their roles and responsibilities and an in-depth look at board procedures and legislation. Feedback from stakeholders has been positive; however, attendees said they would like to see more training opportunities throughout the year. To this end, additional sessions are being explored for 2016-17.

Municipal Sustainability Strategy and Viability Reviews

The viability review process continues to be a strong component under the Municipal Sustainability Strategy. The strategy, approved by the province in 2012, was developed by Municipal Affairs in collaboration with municipal associations to improve the long-term viability of Alberta's municipalities. A review of a municipality's viability may be requested by a municipal council or a petition from citizens, or may be initiated at the Minister's discretion if a municipality is not meeting key measures of viability. The review process engages municipal officials, local citizens, neighbouring municipalities and municipal association representatives in looking at a community's strengths, weaknesses, and ways to resolve challenges.

In 2015-16, the ministry received three council requests and three petitions from electors for municipal viability reviews. As a result, the ministry initiated viability reviews in the villages of Botha, Champion, Ferintosh, Hussar and Innisfree.

The ministry also continued with viability reviews in Clyde, Hill Spring, Rycroft and Willingdon. Viability reviews were completed for the villages of Galahad and Strome, which were dissolved on January 1, 2016, following overwhelming votes by village electors in favour of dissolution. The Village of Minburn was dissolved on July 1, 2015, following the completion of a viability review in 2014-15. Municipal Affairs provided approximately $3.5 million in funding to Flagstaff County and the County of Minburn No. 27 (receiving municipalities of the dissolved villages) for infrastructure upgrades and other transitional costs arising from the dissolutions.

The viability review process includes the use of a self-assessment toolkit by the municipality; an analysis of the municipality's administration, finances and services; a recommendation by a review team as to whether the municipality is trending toward non-viability; and where appropriate the development of a viability plan.

Since it was first introduced in 2012, the viability review process has evolved in response to stakeholder feedback and lessons learned from the reviews to date. Changes have been made to include a screening process to determine whether a viability review is the most appropriate approach to address a municipality's issues; to require the completion of an infrastructure study in each review municipality; to enhance engagement with community stakeholders; and to improve the timeliness of the process. In 2015-16, the ministry provided approximately $971,000 in funding toward infrastructure studies in municipalities undergoing viability reviews.

In addition to viability reviews, Municipal Affairs supports other municipal regional governance and restructuring initiatives through technical advice and grant funding. In 2015-16, the ministry supported, through $500,000 in grant funding, four regional governance studies to develop service delivery options, or identify potential regional governance models.

Municipal Internship

The past fiscal year marked the pilot year of a new finance officer stream which was added to the municipal internship program to meet a need identified by municipalities. Municipal support and interest in the new stream has been high, and finance officials from across the province have contributed extensively to building the new stream's workplan and intern resources.

In 2015-16, the ministry supported municipalities and intermunicipal planning agencies in hosting 13 administrator interns, six land-use planner interns, and 11 finance officer interns. The interns were hosted by 29 municipalities (two of which partnered for this initiative) and two planning agencies. The municipalities and planning agencies collectively received $1.3 million in grants to help offset the costs of hosting the interns.

Municipalities have advised the ministry that it can be a struggle to recruit qualified employees, and succession planning is a challenge as experienced personnel retire. The internship program helps respond to this need by recruiting recent post-secondary graduates interested in a career in local government and by providing support to the host organization (municipality or planning agency) to hire these graduates so they can gain practical experience in the field. While in the program, interns receive coaching, mentoring, and opportunities for networking and professional development. The intent is to develop well-rounded future leaders for Alberta's municipalities.

Since the internship program was introduced in 2002, more than 240 interns have been hosted by more than 100 municipalities and seven planning agencies. Municipal support for the program remains high and feedback from host organizations is consistently positive. More than half of the past intern participants are now employed in the municipal field and some have gone on to host interns themselves.

Recognizing Municipal Excellence

The Minister's Awards for Municipal Excellence is an annual program that recognizes best practices put forward by municipalities, and shares information about those initiatives as a means of building knowledge and expertise among Alberta's local governments. The recipients of the awards are recommended by a review committee of municipal association representatives. Forty-two submissions were received for consideration in 2015, and all are posted in the Municipal Excellence Resource Library, which can be found at **www.municipalaffairs.alberta.ca/mc_municipal_excellence.cfm**

In 2015, in its 14th year, awards were presented in six categories. These categories and the winners for 2015 are:

> **Outstanding Achievement** – the City of Edmonton, for its program to encourage and support reclamation and redevelopment of brownfields using financial incentives and performance requirements ensuring new development is sustainable. A brownfield is a site that is under-utilized and where past activities on the site may have caused environmental soil and/or groundwater contamination.

Innovation – Starland County for its initiative to raise awareness of alternative energy, and to help make solar technology accessible and cost effective in the community. As a result of this initiative, ten "solar pioneers" came forward to install solar energy systems on their properties.

Larger Municipalities – the City of Calgary for its design of a centralized, multi-functional drop-in workspace (called the Flexwork Hub) that is accessible to all city staff. The intent of the hub space is to support the city's workforce, as staff members often move between city buildings and need an alternate workplace with readily available technology so they can maintain productivity when away from their normal work locations.

Partnership – Clearwater County, along with the Town of Rocky Mountain House and the Village of Caroline, for their intermunicipal collaboration committee made up of two councillors and one administrator from each municipality. The committee has met regularly since 2013 to discuss issues of regional significance and has moved many intermunicipal initiatives forward.

Safe Communities – the Town of Sexsmith for establishing the Sexsmith Citizens on Patrol Society. Starting in 2006, more than 30 citizens have come together to patrol the area and report any suspicious activities to the RCMP. The sense of security and safety in the town increased with the establishment of this group and there has been positive feedback from the citizens and the RCMP on the effectiveness of the project.

Smaller Municipalities – the Summer Village of Grandview for taking on the challenge of responsible environmental stewardship and taking leading edge actions in watershed stewardship. Recognizing the sustainability of the summer village depends on the health of Pigeon Lake, the summer village has enacted bylaws to prohibit lawn herbicides, put stringent requirements into place to protect riparian areas, undertaken a creek restoration project, and taken leadership in a project to eradicate a prohibited noxious weed from the shores of the lake.

Municipal Collaboration and Dispute Resolution

In addition to strengthening intermunicipal relationships, the ministry's Collaborative Governance Initiative provides funding to municipalities to address internal conflict. For example, if a municipal council is seeing a need for its members to work together in a more constructive way, the municipality may be eligible for funding for a neutral third-party mediator who specializes in dealing with internal conflict in a municipal setting. The mediator can help council determine the nature of the conflicts and help them develop policies or procedures for working effectively together to address the conflict.

For municipalities that want to jointly address issues of an intermunicipal nature, funding is available for the costs of mediators through the Intermunicipal Dispute Resolution Initiative. In 2015-16 the ministry supported eight mediation processes that collectively involved 16 municipalities seeking to resolve disputes over annexation, land use and recreation. Three of these mediation processes led to agreements between the municipalities involved and five of these mediation processes are ongoing.

In 2015-16, the ministry also co-hosted 12 regional workshops with municipalities on public input design and facilitation, conflict resolution, municipal collaboration and workplace conflict. In total, 180 individuals representing 18 municipalities attended the training. The workshops were held in the towns of Canmore, Okotoks, Ponoka and Peace River; Lacombe County; the Municipal District of Willow Creek; and the cities of Airdrie, Chestermere, Spruce Grove, Edmonton, Grande Prairie, and Lloydminster.

Desired Outcome Two: *Strengthen measures that ensure Albertans are safe in their homes and communities*

In working toward achieving this desired outcome, the ministry identified the following priority initiatives in its 2015-18 business plan.

Priority Initiative 2.1 *– Complete implementation of the Safety Codes Act amendments to improve the timeliness of how Alberta adopts new safety code editions, enforcement of safety codes through addition of an administrative penalty framework and improving the accountability of accredited agencies working in the province.*

Timely Code Adoption

Throughout the year, changes were made to regulations that will enable the adoption of new safety codes as they are published, in accordance with the new procedures introduced in the *Safety Codes Amendment Act, 2015*. With this improved process, new code editions will be adopted as in force by default 12 months after they are published unless a decision is made to delay adoption of the code, which may happen if there is stakeholder impact or clauses that cause concern. This shift in approach is meant to speed up the time it takes for a vetted and published code edition to be adopted in Alberta, which will give industry and trades in the province greater predictability and faster access to more modern standards based on the latest expert research and industry best practices. These changes were strongly supported by stakeholders. The department has been working to harmonize codes at a national and international level to enable timely code adoption. This allows for predictability for industry and educational institutions, as well as better labour mobility. Provision for Alberta-specific addendums to codes that allow the government to address provincial issues not addressed at the national level will still be available.

Administrative Penalties

The Public Safety Division of Municipal Affairs has been consulting with the Safety Codes Council and municipalities in preparation for the development and implementation of administrative penalties for use under the *Safety Codes Amendment Act 2015*. These penalties will be administered by Municipal Affairs and are an additional enforcement tool, designed to complement existing mechanisms. The penalties will fill a need for an enforcement option that falls between "orders" and "prosecution," and they will be used to seek remedial outcomes and increase compliance to safety codes. Due to the large number of changes brought about under the *Safety Codes Amendment Act* and a large number of new code editions adopted in 2015-16, implementation of the changes has been staged. The target for implementing these administrative penalties is fall 2016.

Approval of the Alberta Safety Codes Authority

After stakeholder consultation and review by Cabinet, the Alberta Safety Codes Authority, a division of the Safety Codes Council, was created by the Minister on March 14, 2016, and began overseeing permit and inspection services in unaccredited municipalities on May 1, 2016. Roughly five per cent of the province's population live in communities affected by this change, and the area served by the new authority represents 36 per cent of Alberta's geography. The Alberta Safety Codes Authority will be responsible for implementing changes to the financial model for accredited agencies under the *Safety Codes Act*, increasing accountability, and allowing Municipal Affairs to focus on its oversight role in the safety system.

Agencies accredited under the *Safety Codes Act* will now be required to complete all inspection work for the Alberta Safety Codes Authority before being compensated. These measures were incorporated in order to enhance accountability and quality of inspections. Municipal Affairs provided significant support to the council to develop the authority throughout 2015-16. Advice was provided on key aspects of overseeing the permit system, including best practices on monitoring, system development, effective business processes and client services.

***Priority Initiative 2.2** – Provide monitoring and coaching assistance to municipalities, corporations, agencies, home warranty stakeholders, delegated administrative organizations and the Safety Codes Council.*

New Alberta Boilers Safety Association Administration Agreement

The Alberta Boilers Safety Association is the administrative organization responsible for the pressure equipment discipline in Alberta and has had a longstanding relationship with Municipal Affairs. Pressure equipment includes pressure vessels, piping, boilers manufacturing, and a diverse range of small- and large-scale institutional, commercial, and industrial facilities that involve pressure in their processes. To better define this relationship, the Minister signed a new administration agreement with the association that further defines the roles of both the association and the Government of Alberta in the pressure equipment discipline.

Key changes brought forward in the new agreement are: increased clarity surrounding the Alberta Boilers Safety Association's responsibilities respecting assessments, charges and fees; making it clear the association would require ministerial approval if it ever decided to dispose or sub-contract its powers, duties or functions; the revision of conflict of interest and ethical conduct provisions in the agreement; and outlining the various programs managed by the Alberta Boilers Safety Association.

Active Engagement with Home Warranty Stakeholders

In order to foster a constructive dialogue within the home warranty system, the New Home Buyer Protection Office staff meet quarterly with representatives from primary stakeholders groups including: warranty providers, builders, and Treasury Board and Finance. Staff will also facilitate discussions on any issues that stakeholders raise.

***Priority Initiative 2.3** – Work with the Safety Codes Council and stakeholders to develop and adopt safety codes for the building, fire, accessibility, electrical, gas, plumbing, private sewage, pressure equipment, elevator, amusement ride and passenger ropeway disciplines.*

New Codes and Regulations

In 2015-16, there was an exceptionally high number of codes adopted, with 24 new code editions coming into force, impacting seven disciplines. These codes were brought into force by amending regulations, including the Electrical Code Regulation, Gas Code Regulation, Pressure Equipment Safety Regulation, Private Sewage Disposal Systems Regulation, and the Elevating Devices Codes Regulation, in addition to other related regulations like the Motor Vehicle Gas Conversion Regulation. These new codes have been thoroughly vetted and developed with input from the technical experts in the ministry, and through active participation with the technical councils of the Safety Codes Council.

Progress on Energy Efficiency

In addition to new versions of existing codes, the National Energy Code for Buildings 2011 edition came into force on November 1, 2015. On May 1, 2016, energy efficiency requirements for housing and small buildings came into force.

These amended codes will help to improve energy efficiency standards for building construction codes and subsequently support Alberta's Climate Change Strategy, which looks to energy efficiency and conservation as one of the three main approaches to reducing greenhouse gas emissions and reducing demand on Alberta's energy resources. Municipal Affairs will work with the Safety Codes Council and stakeholders to support implementation of these new codes.

***Priority Initiative 2.4** – Improve residential construction quality and protect new home buyers through regulated warranty standards.*

Home Buyer Protection

The *New Home Buyer Protection Act* came into force on February 1, 2014. Since then, the system has continued to grow and expand as new homes are built. In 2015-16, there were more than 3,600 residential builders registered in the system, more than 26,700 units of approved new home registrations and 635 owner builder authorizations granted. There have been several improvements to the system since its launch, including the addition of the ability to create an account online, user-friendly new home registration and owner builder authorizations, the addition of online rental exemption forms, and a more robust and stable system with an increased ability to handle the steadily increasing numbers of builders and application data. As part of the ministry's continual improvement measures, stakeholder consultations were held last year and these discussions resulted in proposed changes to the system – such as an approval-based commencement date management mechanism, an online de-enrollment request component, and system-based management of compliance and enforcement activities; the office aims to implement these changes in the next fiscal year.

Compliance Orders and Administrative Penalties

As part of the enforcement of the *New Home Buyer Protection Act* and its regulations, New Home Buyer Protection Office compliance officers carry out compliance investigations. These investigations typically occur as a result of compliance issues identified by the compliance officers or brought to the attention of the New Home Buyer Protection Office by external stakeholders such as warranty providers, permit issuers and real estate professionals.

Since its launch in February 2014, the New Home Buyer Protection Office has issued over 100 compliance orders and administrative penalties to builders, developers, homeowners, real estate professionals, and permit issuers, which can be found at **www.municipalaffairs.alberta.ca/compliance_and_enforcement**. The primary purpose of the orders and penalties is to encourage compliance with the legislation. In cases where orders were seen as necessary to promote compliance, the New Home Buyer Protection Office responded accordingly. While every order issued is proof there are still people who choose to ignore the law, they are also proof the system is finding cases of non-compliance and acting on them. Over time, the desired result would be to see a reduction in the number of cases that escalate to the point where an order is issued. However, a simple reduction in the number of orders is open to multiple interpretations; it could either be the result of less vigorous enforcement, or of a greater degree of compliance with the act, which would mean fewer orders would need to be issued.

Priority Initiative 2.5 – *Foster collaboration and regional initiatives between municipalities to improve emergency response services.*

System Support through Targeted Grants

A large portion of the fire services in Alberta rely on volunteer firefighters who come from a wide range of backgrounds. As they currently exist, the training programs available in Alberta are geared toward career firefighters, and require a substantial time commitment away from family and work in order to complete training. In order to align the needs of the fire service with the reality of a volunteer-centred system and introduce enhancements to the service, the Government of Alberta has provided a grant of $395,000 to the Alberta Fire Chiefs Association.

The main goal of this grant is to help develop a better understanding of the capacity of the fire safety system in Alberta. It was recognized that this was an essential first step to informing our training programs and support mechanisms. To this end, the Alberta Fire Chiefs Association will work with the Office of the Fire Commissioner to develop and deploy a survey in 2016-17. This survey will determine the size, demography, location, and skillset of all fire service organizations in Alberta. The two groups will also work to implement a mental health and stress management program across the fire service, and create and manage a task force on the quality of instruction within the fire service.

The outcome of this funding is a more sustainable system in which communities are protected by friends and neighbours who have the skills and training to effectively respond when called into service.

In addition to its role in the province's fire services, the Office of the Fire Commissioner is also the provincial point of contact for search and rescue teams in Alberta. This year, in order to boost the system's capacity and sustainability, Municipal Affairs provided a $150,000 operational grant to Search and Rescue Alberta, the organization that represents and supports Alberta's search and rescue teams. They will be using this money to develop a sustainability plan for search and rescue in Alberta, build a recruitment and retention program to ensure the search and rescue system remains well staffed with volunteers, and launch a new website that more adequately meets the needs of search and rescue teams and their members.

Ongoing Grants

The Office of the Fire Commissioner has continued to fund the annual Fire Services and Emergency Preparedness Program grants, which are available to all municipalities and First Nations to support fire and emergency preparedness training. In 2015-16, the program provided $650,000 to 50 municipalities and four First Nations communities. These grants boosted the capacity and quality of the fire services system by helping to cover training costs, and thereby increase the skills and competencies of the province's fire services first responders.

Search and rescue teams in Alberta also share an annual training grant from the government to help teams cover basic training costs. These volunteer-based groups are active throughout the province, and rely on a mix of fundraising and the annual training grant ($150,000 in total) to provide their services to Albertans in need of rescue when called upon. In 2015-16, this grant covered training costs for 20 search and rescue teams, and included courses such as wilderness first aid, man-tracking, search manager certification and swift-water rescue. On average, there were roughly 12 participants per course.

Public Education and Project Zero

First Nations communities have a higher than average rate of injuries and deaths as a result of fire, and Project Zero – named because of the end goal of reducing the number of fire-related deaths and injuries on First Nations reserves to zero – is intended to make a meaningful impact in preventing fires. The Office of the Fire Commissioner has been actively engaging with First Nations communities throughout the province in an effort to support them in fire service preparedness and fire prevention efforts that will directly improve the lives of their residents.

In addition to Project Zero, the Office of the Fire Commissioner continues to be actively engaged in other public education activities, including monthly fire awareness and safety campaigns, and the creation and distribution of fire prevention materials in schools across Alberta. This past year, a fire safety awareness theme was picked for each month, including a holiday-themed safety campaign in December, and messaging surrounding wildfires in March. The main event of the Office of the Fire Commissioner's public education calendar continues to be Fire Prevention Week in October, which included public displays, advertisements in weekly newspapers, contests and school-based activities designed to spread the fire prevention message. The student contest associated with Fire Prevention Week was even more successful than the year before, with the number of entries estimated to be in the tens of thousands.

Responding to Arson

In co-operation with investigators from the RCMP and the Alberta Wild Fire Branch (Agriculture and Forestry), the Office of the Fire Commissioner has been part of the initial steps to develop a joint task force to investigate arson fires and identify arsonists. The Office of the Fire Commissioner and the RCMP have already worked on several files together, and further collaboration is planned. During periods marked by a decline in economic activity, an increase in arson cases has traditionally been recorded. In light of the current economic decline in Alberta, the Office of the Fire Commissioner is preparing to meet the anticipated need for monitoring and investigations.

Desired Outcome Three: *Improve Alberta's preparedness for disasters and emergencies*

In working toward achieving this desired outcome, the ministry identified the following priority initiatives in its 2015-18 business plan.

***Priority Initiative 3.1** – Support the ongoing 2013 southern Alberta flood recovery efforts and strengthen the Disaster Recovery Program, including the process for initial level of appeal.*

The damage from 2013 flooding in southern Alberta resulted in the most costly disaster in Alberta's history. In response, the Government of Alberta established the 2013 Southern Alberta Disaster Recovery Program, which is the largest disaster assistance program in Canadian history. Helping Albertans complete their recovery by administering their disaster assistance files and working toward improving the service provided to Albertans is one of the ministry's priorities.

In 2015-16, the province completed a transfer from the contracted service provider to the Alberta Emergency Management Agency (AEMA) in order to internalize the administration of the Disaster Recovery Programs (DRPs). To support bringing the administration and delivery of DRPs in-house, the ministry significantly increased program staff in 2014-15 through temporary contracts and internal secondments. The temporary nature of DRP staff contracts and the stressful nature of the work contributed to a high level of turnover in staff and management. This high rate of staff turnover created ongoing challenges because of the loss of historical knowledge and lack of continuity in the program. As well, the time and resources required to train and educate new staff members was a factor. To improve the overall effectiveness of the program, the ministry introduced a new organizational structure and hired permanent staff for key positions in the program. The new structure also redistributed staff to key areas in order to improve the program's efficiency and strengthen its integrity. By ensuring adequate staffing for DRP administration, the ministry is better positioned to co-ordinate recovery efforts for future disasters.

Transitioning DRP administration to the Government of Alberta at the same time as implementing a new case management model, presented unique challenges in the past fiscal year. The time and expertise required to transfer the technology and develop new file management procedures and processes, and the growing pains of learning a new system, impacted program delivery. It negatively affected the timeliness of payments to applicants and made it difficult to accurately report on the services provided to Albertans until late 2015. This adjustment period in spring and summer 2015 also contributed to the ministry being unable to provide payments to applicants as quickly as desired. These issues were overcome and resulted in refined business processes that will allow for more timely payments to applicants in the future.

The flooding in southern Alberta took place over a vast geographical area, including municipalities and communities of all sizes. The government took steps to increase staff on the ground in the affected communities to improve communication and provide the public with consistent information regarding what assistance could reasonably be expected and general timelines around the DRP. Regional offices in High River and Calgary were maintained and meetings were held with key municipal stakeholders in affected communities to better explain the benefits and limitations of the program.

By overcoming some of the challenges discussed above and implementing enhancements to DRP administration, the ministry made significant progress toward funding and closing out the 2013 Southern Alberta DRP. By the end of the 2015-16 fiscal year, most of the 2013 Southern Alberta DRP residential and small business files were paid out in full:

- The 2013 Southern Alberta DRP received 10,610 private sector applications (residential, tenant, small business, and agricultural applicants).
- 10,362 of the private sector applications were closed as of March 2016, and only 248 applications were in progress and required some degree of management by a DRP case manager.
- 110 files were under review by the DRP Appeals Team.
- By the end of 2015-16 fiscal year, the DRP had provided over $143 million in disaster financial assistance under the 2013 Southern Alberta DRP to private applicants.

As the ministry moved toward closing the 2013 Southern Alberta DRP, staff also continued to process appeals files. Since 2013, a total of 1,489 appeals have been received. Of these 1,370 have been completed and an additional $18.9 million in additional funding provided to Albertans on DRP appeals decisions, including 360 completed appeals in 2015-16 that resulted in $4 million in additional financial assistance for applicants.

By bringing administration of DRP in-house, the Government of Alberta now has full control and accountability for all aspects of the DRPs. The lessons learned from the administration of the 2013 Southern Alberta DRP resulted in the ministry implementing a service delivery model that will better support Albertans in recovering from disasters and provide quicker financial recovery support. The 2014 Southwestern Alberta DRP and 2015 Southcentral Alberta DRP are the first two recovery programs that have been administered solely by the ministry.

- Under the 2014 Southwestern Alberta DRP, the ministry paid $1.8 million to 335 private sector applicants, which was 93 per cent of the total private sector applicants. Disaster financial assistance in the amount of $5 million was provided to public sector applicants (municipalities, First Nations communities, and Government of Alberta ministries) under this program. Efforts are underway to close out the remaining private and public files.
- The 2015 Southcentral DRP was announced in January 2016, and over half of the applications received have been closed with the remainder in progress.

DRP applicants today are receiving financial assistance quicker than they were during the 2014 and 2015 DRPs. These improving results are a clear indication of an agile ministry that was able to adjust to lessons learned and make the necessary changes to provide the level of service that Albertans expect.

Priority Initiative 3.2 – *Strengthen the prevention, mitigation and preparedness efforts of public safety partners and co-ordination of the provincial public safety and disaster management framework.*

The lessons learned from recent Alberta disasters including the 2011 Slave Lake fires and the 2013 floods have reinforced the importance of prevention, mitigation, and preparedness efforts to effectively manage emergencies and disasters. The ministry continued to take a leading role by providing tools, guidance, and services to its partners in order to enhance Alberta's public safety and disaster management initiatives. These initiatives include the Community Emergency Management Program, a provincial emergency preparedness exercise, emergency management education, and the expansion of the number of AEMA field staff dedicated to assist communities with emergency management activities. The table below shows the supports that AEMA field staff provide to communities.

Field officer emergency preparedness activities for 2015-16 *by the numbers*

325	Number of times field officers visited or attended meetings with municipal representatives to review emergency management plans, perform community assessments, or discuss AEMA initiatives.
66	Number of times field officers have reviewed the emergency management plans.
152	Number of times communities cumulatively participated in emergency management exercises.
191	Number of communities that hosted an emergency management related training course being offered by field officers.
52	Number of communities that participated in emergency management-related workshops offered by field officers.
17	Number of times a community activated their emergency co-ordination centre or requested AEMA assistance.

Community Emergency Management Program

Effective preparation for disasters and emergencies begins at the community level, and the ministry has worked to ensure local authorities have the resources available to develop robust emergency management programs. As part of this work, Municipal Affairs continued to implement the Community Emergency Management Program. This program is an online tool that provides communities, through their directors and deputy directors of emergency management, access to resources that help them develop municipal emergency management plans. The program provides communities with a standardized provincial approach for emergency management and accessible resources to aid in planning for emergencies regardless of community size and location. It was introduced and promoted by field officers to supplement the direct face-to-face services field officers provide to communities.

One of the components of the program is an online risk assessment tool that allows communities to identify risks using the Hazard Identification Risk Assessment methodology. This methodology is incorporated into the program so that the assessments completed by communities are done with the same methodology used for a provincial-level hazard and risk assessment and can form the basis of an all-hazard mitigation plan that can guide future decision making around mitigation activities.

In 2015-16, the Community Emergency Management Program was, in consultation with First Nations, adapted so the tool would meet the needs of First Nations communities. A three-day training session was organized in May 2015, and a two-day session was held in January 2016, to which all First Nations in Alberta were invited. At the end of the training, 68 per cent of attendees had completed risk assessments, self-assessments, or emergency plans for their communities.

Implementation and adoption of the Community Emergency Management Program has been successful, with 336 registered users representing 201 Alberta communities and regions, exceeding the ministry's target of 154 registered users for 2015-16. New users are being added each week, and approximately 50 per cent of all communities in Alberta are currently participating in the program. Having 50 per cent of Alberta communities using this relatively new program is considered a successful result, as using the program is completely voluntary. This early uptake shows that communities across the province are finding value in the program. Additionally, 71 per cent of all First Nations communities have started to use at least one component of the program. This positive adoption of the Community Emergency Management Program is due to having the tool adapted to First Nations' needs and providing targeted training sessions. Without these factors, adoption of the program by First Nations would not have been as favourable.

Emergency Management Exercise 2016

Training and emergency management exercises are an integral component to ensuring the province is prepared for emergencies or disasters. To this end, over three days in February 2016, Municipal Affairs co-ordinated and led the Emergency Management Exercise 2016 (EMX16) on behalf of the Government of Alberta. This exercise expanded on EMX15 and was the largest exercise of its kind planned and conducted in Alberta, with participants from all levels of government, industry, First Nations communities, and the broader emergency management sector.

The intent of EMX 16 was to refine emergency response procedures and processes, including the sharing of consistent and accurate emergency event information, the activation of ministerial emergency operations centres, and the use of the Cross-Government Co-ordination Team. EMX 16 was considered a success because it practiced cross-government emergency management procedures in preparation for the coming hazard season. It also included the participation of several municipalities, which helps to strengthen the network and the shared learnings between the provincial government and municipalities. Frequent joint training exercises ensure all public safety partners are familiar and comfortable with the province's emergency response system and are prepared to perform their duties in the event of an emergency or disaster.

In 2015-16, the ministry dedicated a unit to researching best practices and developing an enhanced curriculum for emergency management training and development. This work allowed the ministry to focus on best practices for adult education, update current course offerings, and develop new material.

Emergency Co-ordination Centre Course

The ministry developed and began delivery of an Emergency Co-ordination Centre course, which is based on best practices, and provides communities with guidance on how to establish and run co-ordination centres to manage and monitor emergency situations. Scribing for Emergency Management was another new course the ministry developed and began offering in 2015-16. The ministry also significantly revised its existing course offering to meet current needs of stakeholders. The new courses developed in 2015-16 have received positive feedback and there is high demand for upcoming sessions. This success has validated the ministry's new formalized course development process. As part of its continual improvement, the ministry also reviewed and refreshed established emergency management courses and training materials in 2015-16.

Incident Command System

New collaboration and partnership opportunities have bolstered the emergency training capacity of the ministry. Municipal Affairs collaborated with Alberta Health Services to develop online emergency management training courses, including Incident Command System 200. The Ministry of Human Services also contributed to the ministry's training capacity by developing emergency social support training materials and a collaboration with the Municipal Government Board helped to develop a new learning management system that will better support in-class and online delivery of training.

In 2015-16, the ministry continued to collaborate with communities for training Incident Command System instructors in order to increase the number of courses available, and collaborated with 40 communities to extend the availability of instruction.

In 2015-16, the ministry increased the number of permanent field staff to meet the increasing demand for emergency management training courses from municipalities and communities. To meet this heightened demand for training, the ministry also provided emergency management and emergency social services training to communities in an online format. In 2015-16, a total of 6,921 people completed the online training, and classroom instruction was provided to 1,747 individuals through 119 sessions.

Following an agreement signed in 2014-15 between the province and Indigenous and Northern Affairs Canada, the ministry also increased its capacity to provide training in First Nations communities by hiring a First Nations field operations manager and two First Nations field officers. In collaboration with First Nations, the ministry set up regional First Nation emergency social services teams, which will allow neighbouring First Nations communities to assist each other during emergency events by providing reception and evacuation centres.

The ministry supported municipalities, other ministries within government, and non-government organization partners in their efforts to educate and inform the public of their responsibilities for emergency preparedness. This was primarily done through education and outreach efforts during Emergency Preparedness Week, which ran from May 3 to 9. During this annual event, the ministry promotes community events, provides information sessions, and co-ordinates a wide range of activities. The goal of this work is to educate the public on how they can cope on their own for 72 hours after a disaster without requiring emergency services. An informed and prepared public helps create communities that are more resilient in the face of disasters.

Priority Initiative 3.3 *– Continue to enhance the systems that support emergency and disaster response activities for the Government of Alberta, municipalities and other emergency management partners.*

The emergency management system in Alberta is broad and includes overlapping areas of expertise and responsibilities. Collaboration and co-ordination among key partners is essential for the system to function well.

Provincial Operations Centre

The ministry's Alberta Emergency Management Agency is responsible for ensuring emergency response activities are effectively co-ordinated and the Provincial Operations Centre (POC) is the hub of these co-ordination efforts. The POC, which is in operation 24-7, is located in Edmonton and in the event of a disaster, and during emergencies, is integral to the effective co-ordination between all emergency management partners.

The POC level was twice elevated in response to emergencies in 2015-16:

1) In May 2015, the POC was elevated to Level 4 – the highest level possible – to co-ordinate the response to wildfires in northern Alberta, including Improvement District 349/Cold Lake Air Weapons Range, Bigstone Cree Nation/Wabasca, and the Municipal District of Lesser Slave River.
2) The POC was elevated to a Level 2 in order to assist evacuees from the La Ronge, Saskatchewan area due to wildfires in July 2015.

In October 2015, the ministry implemented the Alberta Disaster Local Area Network in the POC. This is an incident information management application that enhances the ministry's ability to co-ordinate responses to disasters and emergencies. The new application manages information flow; prioritizes, assigns, and monitors tasks; and geo-locates incident information in real-time. The application increases effectiveness of the POC because all emergency management partners can contribute information at approximately the same time, resulting in a common understanding of any given situation.

Emergency Management Plans

Emergency management plans are also an important component of the emergency management system as they help ensure appropriate and effective preparation and response to emergencies or disasters. During 2015-16, the ministry updated the Response to a Catastrophic Earthquake in British Columbia Plan, and rewrote the Government of Alberta Business Continuity Plan.

The ministry also provided funding for conditional grant agreements aimed at developing and finalizing mutual aid agreements between municipalities, and supporting local authorities' regional collaboration efforts. This work contributed to increased community capacity and encourages sharing of resources between communities.

Alberta 911 Standards

The ministry's 911 Program led the development of Alberta 911 Standards in partnership with Alberta's Public Safety Answering Points, more commonly known as the 911 call centres. This collaboration with 911 call centres will create province-wide standards, processes and procedures for 911 calls and will contribute to consistent 911 service delivery across the province. Finalizing a draft of the Alberta 911 standards that were unanimously agreed upon required extensive consultation through face-to-face meetings and group teleconferences.

Highlights for the ministry's 911 Program in 2015-16 include:

- providing over $15 million in grant funding – from the $0.44 per month 911 phone fee – to the 21 Public Safety Answering Points of Alberta to support the enhancement of 911 call answering services by assisting with staffing, training, hardware and software costs;
- contributing to the development of a national 911 strategy for the "next generation 911." (Next generation 911 is the "next wave" of 911 services, which would allow people to text and send photos and videos to 911 call centres. Right now, the technical infrastructure and processes are not in place for this); and
- working with national partners across Canada to advance next generation 911 initiatives such as text messaging and video.

2015 Stakeholder Summit

Also supporting this priority initiative, the 2015 Stakeholder Summit was held in Calgary. The summit provided education and discussion opportunities for approximately 400 delegates from across the province. This allowed the ministry to update the delegates on current emergency management initiatives and provided valuable networking opportunities. The ministry also held seven regional workshops that provided specific information on regional partnerships, DRPs, and the Community Emergency Management Program to roughly 340 attendees.

***Priority Initiative 3.4** – Work with partners to enhance public alerting and the integration of emergency data and information systems.*

Alberta Emergency Alert

The ability to communicate clearly with the public during emergencies and disasters is necessary for effective emergency management. In recognition of this fact, the ministry continued to promote and support the use of Alberta Emergency Alert, an alerting system that enables local authorities to provide potentially life-saving alerts to the public regarding disaster or emergency events by notifying Albertans to take appropriate action for their own safety.

The ministry continued to leverage new technologies to increase the reach and effectiveness of public alerting in Alberta, such as the smart phone alerting application that was launched in 2014-15. In 2015-16, the ministry improved the effectiveness of public alerting by substantially increasing the number of people who subscribed or downloaded the Alberta Emergency Alert application. At year end, there were approximately 64,000 users of the Alberta Emergency Alert mobile application, a 163 per cent increase from the previous calendar year. In 2015, a clear indication of a growing interest in Alberta Emergency Alert was evidenced by a four per cent increase in website traffic.

Social media has increased the ministry's audience for emergency communications and alerting in the past few years and this is a growing trend. In 2015-16, Alberta Emergency Alert's Facebook and Twitter followers increased by 27 per cent to 162,067. In 2015-16, in order to increase reliability and security, the ministry invested in the IT infrastructure of the Alberta Emergency Alert program through the acquisition of new back-up servers and networking equipment.

In 2015-16, in order to continue to expand the reach of the AMBER Alert messaging, the ministry, in collaboration with Alberta Justice and Solicitor General, entered into private sector partnerships with Bell Astral and Pattison Outdoor Signs. Both these companies now display AMBER Alert messages. The AMBER Alert program broadcasts details and asks for tips about abducted children or missing mentally/ physically disabled teens and adults. AMBER Alert's intent is to provide enough information to the public about a missing or abducted vulnerable person, so law enforcement agencies can receive tips that will assist in finding the victim or apprehending the suspect. As well, the Alberta Motor Association included AMBER alerts on their road reports website. To date, 23 additional broadcast partners have joined Alberta Emergency Alert, partially in response to the August 2014 Canadian Radio and Television Commission ruling that all broadcasters must issue emergency alerts by March 31, 2015 (for mainstream broadcasters) and March 31, 2016 (for community, First Nations and campus stations).

***Priority Initiative 3.5** – Work with federal, provincial, territorial and municipal governments to develop policy options for a provincial all-hazard mitigation program including investments in flood mitigation and erosion control.*

Following the 2013 southern Alberta floods, the ministry recognized the need for flood mitigation policies and guidelines to reduce the impact of future floods. The ministry, through the AEMA, focused on the development of a provincial all-hazard mitigation program and undertook two important projects in 2015-16 for this priority initiative:

1) In order to develop a provincial hazard identification risk assessment the ministry lead, consulted, and collaborated with an inter-ministerial working group comprised of representatives from nine provincial and federal ministries and agencies. The goal of the Hazard Identification Risk Assessment is to serve as an evidence-based framework to help prioritize funding and mitigation efforts across the province.
2) The ministry has a central role in shaping the long-term policy and regulatory framework for emergency management in Alberta. In 2015-16, the ministry:
    - Participated in federal-provincial-territorial discussions on emergency management;
    - Contributed to emergency management approaches and initiatives on a national level;
    - Worked with Alberta Environment and Parks on a framework for the development and submission of provincial proposals to the federal National Disaster Mitigation Program, a federal-provincial cost-sharing program intended to reduce the impact of natural disasters by providing mitigation funding; and
    - Submitted three proposals for cost-shared funding under this program. These projects related to the hazard assessment and flood mapping efforts of the Government of Alberta. Implementation of the National Disaster Mitigation Program was delayed and, as proposals are only accepted once a year, no additional proposals were submitted for the 2015-16 funding cycle. The development of Alberta's submission process for projects under this program is ongoing and requires co-ordination and clear communications between the Government of Alberta, the federal government, and municipalities in Alberta.

Priority Initiative 3.6 – *Carefully examine lessons learned from the government's response to the 2013 floods to identify ways to improve Alberta's disaster recovery systems.*

Due to the unprecedented and widespread impacts of the 2013 southern Alberta floods, the government faced many challenges within a short timeframe. In order to document the lessons learned, best practices, and areas where improvements could be made, the ministry commissioned an external third-party review. Third party reviews are conducted after every large-scale disaster to ensure the government examines what worked and where improvements can be made.

The "Review and Analysis of the Government of Alberta's Response to and Recovery from the 2013 Floods" report was prepared by MNP, a national accounting, tax and business consulting firm. It was publically released in December 2015 and provided 16 recommendations to enhance and improve the province's emergency response and recovery procedures. The government accepted 15 of the recommendations for implementation and one in principle. Implementation of these recommendations will enhance the government's ability to respond to future disasters quickly and effectively. The key recommendations are well on their way to completion and they include:

- The development of an Emergency Management Staff Wellness Program through stress management training for managers and staff, and increased emphasis on the availability of the Government of Alberta Employee Family Assistance Program.
- The update of the Alberta Emergency Plan, a key document for ensuring a unified and co-ordinated approach to emergency management in the province.
- A cross-ministry working group, led by the ministry, is developing an update to the provincial recovery strategy including maintaining existing frameworks, structures, and plans – and implementing identified improvements.
- The development and implementation of a Provincial Emergency Social Services Framework which provides a plan for the delivery of emergency social services to support both immediate and long-term supports – an initiative led by the Ministry of Human Services.
- Improving the capability of the Provincial Operations Centre by introducing new incident management software. A new state-of-the-art provincial operations centre is also one of many infrastructure projects identified through the capital construction program.
- Continuing to provide training, awareness, and emergency management exercises by leading comprehensive training and exercise programs that ensure staff, the government, and communities have the necessary skills to respond to, and recover from, emergencies and disasters.
- The identification and prioritization of the necessary services for emergency response and recovery, and development of a guide to the availability and cost structure for these services.
- The documentation of procedures that were effectively used during the 2013 floods, the establishment of a post-incident review process, and continual tracking of the lessons learned after emergencies and disasters.

The Auditor General of Alberta's report on the DRP transition was published in 2016. The report examined the transition of DRP administration from a contracted service provider to being administered by Municipal Affairs. In the report the Auditor General stated that part of the reason for the review was because the department must ensure those impacted by disasters receive the financial assistance necessary through the DRP, efficiently and consistently. In response to this report, and in conjunction with the MNP report, the ministry continued to improve and build upon changes to the DRP administration made in 2014-15. Examples of this continued refinement include:

- A case management model is now in place, which sees a dedicated case manager assigned to each file from start to finish. This service-delivery model has fostered a culture of accountability, transparency, and good public service.
- The ministry is focusing efforts to formalize its internal DRP procedures and processes.
- Work is ongoing to develop and implement online tools for determining if a claim is eligible, submitting applications, and checking the status of DRP applications.
- In 2015-16, extensive planning efforts were undertaken by the ministry to develop strategies for stabilizing the administration of the DRPs.

Desired Outcome Four: *Fair, timely, and well-reasoned decisions are provided on matters before the Municipal Government Board and the New Home Buyer Protection Board*

In working toward achieving this desired outcome, the ministry identified the following priority initiatives in its 2015-18 business plan.

***Priority Initiative 4.1** – Deliver an effective process for subdivision appeals, intermunicipal disputes, annexation applications, linear and equalized assessment complaints, and appeals from decisions of the registrar made under the New Home Buyer Protection Act.*

The Municipal Government Board (MGB) delivered an effective process for adjudicating subdivision appeals, intermunicipal disputes, annexation applications, equalized assessment complaints, and appeals from decisions of the Registrar made under the *New Home Buyer Protection Act*. An effective adjudicative process provides Albertans with an efficient, transparent and impartial hearing experience, resulting in fair and timely written decisions. The board takes steps to maintain a transparent hearing process by holding public hearings, distributing notice of hearings to affected parties, having well-reasoned decisions, and publicizing decisions on its website. Impartiality is achieved by ensuring board members assigned to hearings have no professional or personal ties to the matter; furthermore, parties are asked at the beginning of each hearing whether they object to any member of the panel. In 2015-16, 84 per cent of parties surveyed were either satisfied or neutral with the effectiveness of the MGB's adjudicative process.

The board is required to meet a set of requirements of legislation, one of which is a requirement that all written decisions for intermunicipal disputes and subdivision appeals must be completed within 30 days and 15 days, respectively, from the date the hearing is closed. This requirement means the board members must be well-trained. To this end, the board continues to provide extensive training and support to its members, who are appointed by Order in Council.

- The MGB has a total of 53 appointed part-time members from various professional backgrounds including lawyers, accountants, and land planners. Board members are recruited on an annual basis through an open, merit-based recruitment process.
- Board members are paid pursuant to Schedule 1, Part A of the Committee Remuneration Order. They receive a daily honorarium of $383 as a presiding officer or $290 as a side panelist, plus travel expenses paid at government standards and rates.
- In 2015-16, the board conducted hearings for 45 subdivision appeals, one annexation application, and two intermunicipal disputes. There were an additional two annexation applications processed that did not require a hearing.

It is important that hearings are accessible to the parties involved in the dispute. To improve accessibility for parties, the board conducts its hearings in locations across the province.

The MGB also provides administrative support to the *New Home Buyer Protection Act* Appeal Board. This board has 27 part-time board members and is mandated to hear and decide appeals brought before it under the *New Home Buyer Protection Act*.

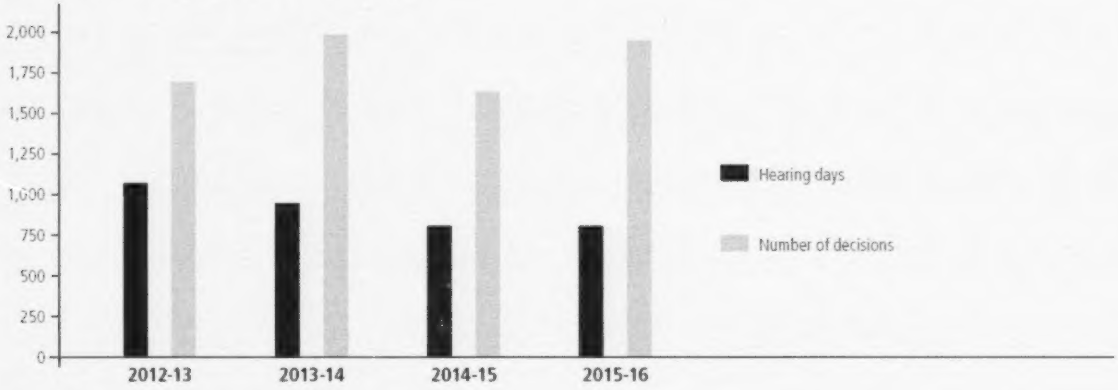
Priority Initiative 4.2 *– Deliver an effective and timely process for Disaster Recovery Program appeals before the Municipal Government Board.*

The MGB places high importance in providing Disaster Recovery Program applicants – in the event that an applicant is affected by a disaster and feel they have been treated unfairly – with a fair, efficient and timely adjudicative process. In 2015-16, the board conducted six hearings for Disaster Recovery Program appeals. These appeals involved complex matters with the value of items disputed often exceeding one million dollars. Due to the complexity of the issues and large amounts of money being disputed, processing these types of appeals takes a significant amount of case management and expertise. To manage these cases, the MGB case manager works with the parties to ensure required information is exchanged on a timely basis, that all information is shared between parties, and the issues in disputes are defined and understood by all parties prior to the hearing. The board also ensures members have the required skillset to adjudicate the matter including having a clear understanding of the applicable legislation and the intent of the Disaster Recovery Program.

Priority Initiative 4.3 *– Provide board members and support to municipal Composite Assessment Review Boards.*

The MGB supports municipalities by providing a provincial representative to act as a presiding officer on all municipal Composite Assessment Review Board hearings held across the province. Board members have extensive experience adjudicating assessment complaints and can be relied upon for fair and consistent decisions.

Composite assessment review board hearings



Source: *Municipal Affairs.*

In 2015-16, the board provided presiding officers to various municipalities for 810 hearing days involving 1,949 decisions at locations across the province, including: Edmonton, Calgary, and Red Deer. In 2014-15, there were 1,634 decisions with 810 hearing days. In 2013-14, there were 1,983 decisions made with 953 hearing days and in 2012-13, there were 1,695 decisions and 1,074 hearing days. The above chart shows that while the number of hearing days is trending downward, the numbers of decisions remain high. The MGB charges municipalities after a ninth hearing is held in that municipality, and in 2015-16 this resulted in partial cost recoveries of almost $793,000.

Municipal Composite Assessment Review Boards

Performance Indicator 4.a	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16
Percentage satisfied or neutral regarding Municipal Government Board support to Municipal Composite Assessment Review Boards	100%	100%	97%	99%	100%	100%

Priority Initiative 4.4 – *Provide Training to Assessment Review Board members and clerks.*

The MGB continues to provide training and certification for assessment review board members and clerks. This training gives municipalities the knowledge and tools to process assessment complaints fairly and in accordance with all applicable legislation. The course curriculum covers principles of property assessment and administrative law. The board facilitates this training together with members who specialize in assessment and administrative law matters.

In 2015-16, 192 participants attended a total of 20 training sessions: six courses for clerks, six courses for new board members, and eight refresher courses for current board members.

Planning, annexation, linear, and equalized assessment appeals

Performance Measure 4.a	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	Target 2015-16
Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the board's performance of services in support of planning, annexation, linear, and equalized assessment appeals	88%	84%	91%	88%	84%	88%

Performance Measure Variance

The measurement of satisfaction with the MGB is best done by those parties that appeared before the board at a hearing. They are impacted by both the process followed for hearing that matter and the actual decision that the board made. The perception of bias and fairness is subjective and is not a concrete measurement. To achieve a high level of performance, the board must satisfy the stakeholders that they are being treated fairly irrespective of the final decision made.

The measure result of 84 per cent is four percentage points below the target of 88 per cent. It is four percentage points lower than last year's result of 88 per cent and two percentage points lower than the 2010-11 benchmark of 86 per cent. The 86 per cent benchmark was selected because it represents the historical ten-year average of results achieved.

Although the target was not met this year, the achieved result of 84 per cent indicates stakeholders are generally satisfied or neutral with the board's appeal process. The survey focused on two general areas: 1) the hearing process, and 2) timeliness of the written decision.

The board scored strongest on the hearing process component of the survey. The vast majority of the parties were satisfied or neutral that the board acted in a courteous manner (85 per cent), they were provided an opportunity to present their case (95 per cent), the hearing process was easy to understand (83 per cent) and the hearing process was fair, unbiased and impartial (89 per cent).

The board scored weakest on the written decision component of the survey. Parties were only marginally satisfied that the written decision was issued in a timely manner (54 per cent). The actual result of 54 per cent is 19 percentage points below the 2014-15 result of 73 per cent.

In response to the lower scoring for timeliness of written decisions, the MGB will need to evaluate the decision writing process to improve the overall timeliness of written decisions.

2015-16 Performance Measures Data Sources and Methodology

Desired Outcome Four: *Fair, timely, and well-reasoned decisions are provided on matters before the Municipal Government Board and the New Home Buyer Protection Board*

Performance Measure 4.a – *Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the board's performance of services in support of planning, annexation, linear, and equalized assessment appeals*

Data Source – A client satisfaction survey of hearing participants is conducted by the Municipal Government Board in May and June each year. Hearing participant information is obtained from the Municipal Government Board's Case Inc. database and from sign-in sheets collected at the hearings. In 2015-16, the board used Opinio Survey software to collect data anonymously.

Methodology – The scale used is a five-point, anchored satisfaction scale that asks respondents to respond with the following: strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.

Information is gathered from the MGB databases for the purpose of identifying all participants who attended MGB hearings. Lists of attendees at hearings are compiled along with their email addresses. Parties that do not provide an email address are sent a letter, informing them that if they wish to participate, an email address is required in order to preserve anonymity. An email is then sent to all parties, and they are asked to complete an online survey.

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** NOTE: The unaudited financial information schedule presented is derived from the audited financial statements of each Improvement District for the year ended December 31, 2015.*

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AUDITOR GENERAL
Alberta

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Municipal Affairs, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Municipal Affairs as at March 31, 2016, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 9, 2016

Edmonton, Alberta

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2016
(in thousands)

	2016		2015
	Budget	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Government Transfers			
Federal and Other Government Grants	$ 237,813	$ 214,303	$ (205,438)
Premiums, Fees and Licenses	32,555	30,975	32,355
Investment Income	208	713	689
Other Revenue	5,646	80,152	788,451
	276,222	326,143	616,057
Expenses - Directly Incurred (Note 2(b) and Schedule 4)			
Programs (Schedule 2)			
Ministry Support Services	18,694	15,747	15,034
Municipal Assessments and Grant Administration	18,296	14,213	14,832
Municipal Services and Legislation	12,552	10,720	11,068
Municipal Sustainability Initiative	876,889	876,889	1,638,337
Federal Grant Programs	266,347	264,623	223,341
Grants in Place of Taxes	64,695	64,554	59,595
Alberta Community Partnership	40,000	44,308	48,423
Public Safety	17,661	14,243	14,100
Alberta Emergency Management Agency	34,891	35,743	65,873
Municipal Government Board	4,622	4,112	4,450
Library Services	36,049	35,870	32,662
2013 Alberta Flooding (Note 15)	29,823	23,622	45,981
Safety Codes Council	10,463	9,242	7,959
	1,430,982	1,413,886	2,181,655
Annual Deficit	$ (1,154,760)	$ (1,087,743)	$ (1,565,598)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2016
(in thousands)

	2016	2015 (Restated - Note 3)
Financial Assets		
Cash and Cash Equivalents (Note 4)	$ 700	$ 1,918
Accounts Receivable (Note 5)	463,975	568,389
Portfolio Investments (Note 6)	10,809	9,159
	475,484	579,466
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	844,572	1,453,708
Deferred Revenue (Note 8)	1,414	901
	845,986	1,454,609
Net Debt	(370,502)	(875,143)
Non-Financial Assets		
Tangible Capital Assets (Note 9)	7,604	6,551
Prepaid Expenses	113	170
Net Liabilities	$ (362,785)	$ (868,422)
Net Liabilities at Beginning of Year	(868,422)	(1,067,222)
Annual Deficit	(1,087,743)	(1,565,598)
Net Financing Provided from General Revenues	1,593,380	1,764,398
Net Liabilities at End of Year	$ (362,785)	$ (868,422)

Contingent Liabilities and Contractual Obligations (Notes 10 and 11)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2016
(in thousands)

	2016 Budget	2016 Actual	2015 Actual (Restated - Note 3)
Annual Deficit	$ (1,154,760)	$ (1,087,743)	$ (1,565,598)
Acquisition of Tangible Capital Assets	(4,798)	(3,003)	(4,071)
Amortization of Tangible Capital Assets (Note 9)	3,097	1,932	1,954
Loss on Disposal of Tangible Capital Assets		18	6
Change in Prepaid Expenses		57	(170)
Net Financing Provided from General Revenues		1,593,380	1,764,398
Decrease in Net Debt		504,641	196,519
Net Debt at Beginning of Year		(875,143)	(1,071,662)
Net Debt at End of Year		$ (370,502)	$ (875,143)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2016
(in thousands)

	2016 Actual	2015 Actual (Restated - Note 3)
Operating Transactions		
Annual Deficit	$ (1,087,743)	$ (1,565,598)
Non-cash items included in Net Operating Results:		
Amortization of capital assets (Note 9)	1,932	1,954
Loss on Disposal of Tangible Capital Assets	18	6
	(1,085,793)	(1,563,638)
Decrease in Accounts Receivable	104,414	470,375
Decrease (Increase) in Prepaid Expenses	57	(170)
Decrease in Accounts Payable and Accrued Liabilities	(609,136)	(658,842)
Increase (Decrease) in Deferred Revenue	513	(5,037)
Cash Applied to Operating Transactions	(1,589,945)	(1,757,312)
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 9)	(3,003)	(4,071)
Cash Applied to Capital Transactions	(3,003)	(4,071)
Investing Transactions		
Purchase of Portfolio Investments	(1,720)	(2,786)
Sale of Portfolio Investments	70	231
Cash Applied to Investing Transactions	(1,650)	(2,555)
Financing Transactions		
Net Financing Provided from General Revenues	1,593,380	1,764,398
Cash Provided by Financing Transactions	1,593,380	1,764,398
(Decrease) Increase in Cash and Cash Equivalents	(1,218)	460
Cash and Cash Equivalents at Beginning of Year	1,918	1,458
Cash and Cash Equivalents at End of Year	$ 700	$ 1,918

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The ministry consists of the Department of Municipal Affairs and the Safety Codes Council. The ministry is aligned with the strategic direction of the Government of Alberta by launching a new relationship with municipalities that strengthens Alberta's communities and provides opportunities for Albertans to succeed.

The ministry's desired outcomes are:

- Albertans live in viable municipalities and communities with responsible, collaborative, and accountable local governments.
- Strengthen measures that ensure Albertans are safe in their homes and communities.
- Improve Alberta's preparedness for disasters and emergencies.
- Fair, timely, and well-reasoned decisions are provided on matters before the Municipal Government Board and the New Home Buyer Protection Board.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The *Government Organization Act* defines a ministry as including the department and any provincial agency and crown-controlled organization for which the minister is responsible. These consolidated financial statements include the accounts of the Department of Municipal Affairs (*Government Organization Act*) and the Safety Codes Council (*Safety Codes Act*). The ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 13.

The year-end for the Safety Codes Council is December 31. All transactions of the Safety Codes Council that occurred between January 1, 2016 to March 31, 2016 and were with the Department of Municipal Affairs, have been recorded and subsequently eliminated upon consolidation. All other transactions of the Safety Codes Council which occurred between January 1, 2016 to March 31, 2016 that are $1 million or greater and significantly affect the consolidated accounts, have been recorded.

The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided from general revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting

Revenue

All revenues are reported on the accrual basis of accounting.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the eligibilty criteria of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues as the stipulations are met and, when applicable, the ministry complies with its communicated uses of these transfers.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the transfer is authorized and the ministry meets the eligibility criteria (if any).

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

The ministry recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Deferred Revenue

Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Expenses

Directly Incurred

Directly Incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Incurred by Others

Services contributed by related other entities in support of the ministry operations are not recognized and are disclosed in Schedule 3 and allocated to programs in Schedule 4.

Valuation of Financial Assets and Liabilities
(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable (excluding disaster recovery accounts receivable), and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable $430,331 (2015 – $559,893), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the ministry is unable to estimate the fair value.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets of the ministry are limited to cash and cash equivalents, portfolio investments, financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Accounts Receivable

Accounts receivable are recorded at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Liabilities

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Non-Financial Assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver government services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets of the ministry are limited to tangible capital assets and prepaid expenses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Tangible Capital Assets

Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is put into service.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Assets acquired by right are not included.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program, disclosed as $557,260 (2015 – $798,560) in these consolidated financial statements are subject to measurement uncertainty. Included in this amount is $497,970 (2015 - $699,288) for 2013 Alberta Flooding.

A portion of the Government of Canada accounts receivable, $430,331 (2015 – $559,893) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. Included in this amount is $376,799 (2015 - $494,973) for 2013 Alberta Flooding. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as inflation rate fluctuations in local construction costs, receipt of eligible claims, and the extent of the damage as it is identified.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the consolidated financial statements.

Risk Management

The ministry has minimal exposure to market price risk, liquidity risk, credit risk and interest rate risk due to the nature of its operations. Market price risk related to portfolio investments is managed through investment guidelines and policies, as monitored by management and the investment manager. Liquidity risk is minimized given the cash and cash equivalent balance within the ministry and maintaining a diverse and quality portfolio of investments in pooled funds. Exposure to credit risk is reduced as the primary creditors of the ministry are the Government of Alberta and the federal government. Credit risk is further managed by investing portfolio investments in diversified pooled funds. Guidelines and investment policies are set for portfolio investments and monitored by management and the investment advisor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(c) Change in Accounting Policy

A net debt model (with reclassification of comparatives) has been adopted for the presentation of consolidated financial statements. Net Debt is measured as the difference between the ministry's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding an additional Statement of Change in Net Debt.

(d) Future Accounting Changes

In June 2015 the Public Sector Accounting Board issued these following accounting standards;

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the consolidated financial statements.
- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the consolidated financial statements.
- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the consolidated financial statements.

PS 3450 Financial Instruments
In June 2011 the Public Sector Accounting Board issued this accounting standard effective April 1, 2019. The ministry has not yet adopted this standard and has the option of adopting it in fiscal 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601 Foreign Currency Translation; PS 1201 Financial Statement Presentation; and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in consolidated financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these financial standards on the consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 3 PROGRAM TRANSFER/ GOVERNMENT REORGANIZATIONS

(in thousands)

Effective April 1, 2015, responsibility for funding two communications postions was transferred from the Ministry of Executive Council to the Ministry of Municipal Affairs.

Effective April 1, 2015, responsibility for funding two legal positions was transferred from the Ministry of Municpal Affairs to the Ministry of Justice and Solicitor General.

Comparatives for 2015 have been restated as if the ministry had always been assigned with its current responsibilities. The following is a summary of the effect of the program transfers to the 2014-15 consolidated financial statements:

	2015			
	As Previously Reported	Transfer From Executive Council	Transfer to Justice and Solicitor General	As Restated
Revenues	$ 616,057	$ -	$ -	$ 616,057
Expenses	2,181,720	285	(350)	2,181,655
Annual Deficit	(1,565,663)	(285)	350	(1,565,598)
Net Financing Provided from General Revenues	$ 1,764,463	$ 285	$ (350)	$ 1,764,398
Opening Net Liabilities	(1,067,222)	-	-	(1,067,222)
Net Liabilities at March 31, 2015	$ (868,422)	$ -	$ -	$ (868,422)

NOTE 4 CASH AND CASH EQUIVALENTS

(in thousands)

Cash and Cash Equivalents include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short term securities with a maximum term to maturity of three years. As at March 31, 2016, securities held by the Fund have a time-weighted return of 0.8% per annum (2015 – 1.2% per annum). Due to the short term nature of CCITF investments, the carrying value approximates fair value.

NOTE 5 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2016			2015
	Gross Amount	**Allowance for Doubtful Accounts**	**Net Realizable Value**	**Net Realizable Value**
Government of Canada	$ 461,939	$ -	$ 461,939	$ 564,197
Other	2,111	(75)	2,036	4,192
	$ 464,050	$ (75)	$ 463,975	$ 568,389

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 6 PORTFOLIO INVESTMENTS

(in thousands)

	2016		2015	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Interest Bearing Securities [1]				
Deposits and short-term securities	$ 3	$ 3	$ 8	$ 8
Bonds and mortgages	5,790	5,731	5,276	5,343
	5,793	5,734	5,284	5,351
Equities				
Pooled Investment Funds	5,016	4,532	3,875	3,925
	$ 10,809	$ 10,266	$ 9,159	$ 9,276

[1] Following is the maturity structure based on principal amount:

	2016	2015
Under 1 Year	11%	3%
1 to 5 Years	35%	22%
6 to 10 Years	27%	39%
11 to 20 Years	5%	6%
Over 20 Years	22%	30%
	100%	100%

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2016 Net Realizable Value	2015 Net Realizable Value
Accounts Payable	$ 1,607	$ 2,354
Other Accrued Liabilities	842,965	1,451,354
	$ 844,572	$ 1,453,708

NOTE 8 DEFERRED REVENUE

(in thousands)

	Federal Gas Tax Fund	Other	2016 Total	2015 Total
Unearned Revenue				
Balance, beginning of year	$ 626	$ 275	$ 901	$ 5,938
Received/receivable during the year	208,650	763	209,413	209,402
Less amounts recognized as revenue	(208,114)	(786)	(208,900)	(214,439)
Balance, end of year	$ 1,162	$ 252	$ 1,414	$ 901

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 9 TANGIBLE CAPITAL ASSETS

(in thousands)

	Equipment(1)	Leasehold Improvements	Computer Hardware and Software	2016 Total	2015
Estimated Useful life	5-10 years	Over lease term	3-5 years		
Historical Cost(2)					
Beginning of Year	$ 3,054	$ 1,024	$ 23,729	$ 27,807	$ 23,761
Additions	122	73	2,808	$ 3,003	4,071
Disposals, including write-downs	(1,076)	-	(2,032)	$ (3,108)	(25)
	$ 2,100	$ 1,097	$ 24,505	$ 27,702	$ 27,807
Accumulated Amortization					
Beginning of Year	$ 2,349	$ 546	$ 18,361	$ 21,256	$ 19,321
Amortization expense	175	111	1,646	1,932	1,954
Effect of disposals	(1,075)	-	(2,015)	(3,090)	(19)
	$ 1,449	$ 657	$ 17,992	$ 20,098	$ 21,256
Net Book Value at March 31, 2016	$ 651	$ 440	$ 6,513	$ 7,604	
Net Book Value at March 31, 2015	$ 705	$ 478	$ 5,368		$ 6,551

(1) Equipment includes office equipment and emergency mobile command and coordination vehicles.

(2) Historical cost includes work-in-progress at March 31, 2016 totalling $1,456 comprised of: computer hardware and software $1,456 (2015 - $740).

NOTE 10 CONTINGENT LIABILITIES

(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The ministry has been named in six (2015 – three) claims of which the outcome is not determinable. Of these claims, six (2015 – three) have specified amounts totalling $11,438 (2015 – $8,990). Included in the total claims, three claims totalling $583 (2015 – one claim totalling $5,500) is covered in whole or in part by the Alberta Risk Management Fund.

The resolution of indeterminable claims may result in a liabiltiy, if any, that may be significantly lower that the claimed amount.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 11 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2016	2015
Contracts[1]	$ 26,434	$ 29,756
Agreements[2]	4,619,000	5,146,100
	$ 4,645,434	$ 5,175,856

[1] Includes contracts for supplies and services and an operating lease for office space.

[2] Agreements of $4,619,000 relate to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Ministry of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Contracts	Agreements	Total
2016-17	$ 8,893	$ 876,000	$ 884,893
2017-18	6,785	876,000	$ 882,785
2018-19	5,444	876,000	$ 881,444
2019-20	5,312	805,984	$ 811,296
2020-21	-	951,000	$ 951,000
Thereafter	-	234,016	$ 234,016
	$ 26,434	$ 4,619,000	$ 4,645,434

NOTE 12 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,945 for the year ended March 31, 2016 (2015 – $6,561). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2015, the Management Employees Pension Plan reported a surplus of 299,051 (2014 – surplus $75,805), the Public Service Pension Plan reported a deficiency of $133,188 (2014 – deficiency $803,299) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $16,305 (2014 – deficiency $17,203).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2016, the Bargaining Unit Plan reported a surplus of $83,006 (2015 – surplus $86,888) and the Management, Opted Out and Excluded Plan a surplus of $29,246 (2015 – surplus $32,343). The expense for these two plans is limited to the employer's annual contributions for the year.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 13 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's consolidated financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the accumulated surplus as disclosed in the audited financial statements of the trust funds for December 31, 2015 and December 31, 2014 are as follows:

	2015	2014
Special Areas Trust Account	$ 291,553	$ 283,344
Improvement Districts' Trust Account	20,205	19,101
	$ 311,758	$ 302,445

NOTE 14 PAYMENTS UNDER AGREEMENT

(in thousands)

The ministry has entered into agreements to deliver programs and services that are fully funded by Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Management Support Program.

Costs under these agreements are incurred by the ministry under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $1,203 (2015 – $855) and accounts payable includes $17 (2015 – $19) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2016	2015
First Nations Emergency Management Support Program	$ 915	$ 874

NOTE 15 2013 ALBERTA FLOODING

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the ministry through the authority of the *Disaster Recovery Regulation*.

The ministry recognizes the DRP expense when the Government of Alberta issues an Order in Council. For the 2013 Alberta Flooding this occurred on June 25, 2013.

The ministry recognizes Disaster Financial Assistance Arrangements (DFAA) revenue when the Government of Canada (GoC) issues an Order in Council (OiC) declaring the Alberta disaster to be of a concern to the GoC. For the 2013 Alberta Flooding this occurred on July 3, 2013 through OiC 162.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 15 2013 ALBERTA FLOODING (Cont'd)

(in thousands)

The estimate of DFAA revenue from the GoC is determined by assessing eligible DRP expenses under the DFAA guidelines. As a result, some DRP expenses have been excluded from DFAA revenue. The ministry will continue to pursue revenue from the GoC for expenses that are currently excluded from the DFAA guidelines.

The DRP expense and DFAA revenue are both calculated based on management estimates (Note 2(b)). During 2015, the projected DRP expense and DFAA revenue were adjusted to reflect management's best estimate of the remaining obligations of the DRP and expected DFAA revenue.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). The ministry recognizes non-DRP expenses when the expense recognition criteria are met.

For both the DRP and non-DRP, the expenses are net of recoveries from insurance and other third parties.

	2016	2015
Consolidated Statement of Operations		
Revenue		
Disaster Financial Assistance Arrangements (GoC) [1]	$ (18,174)	$ (423,101)
Prior Year Expenditure Refunds [2][3]	54,310	$ 755,876
Expenses		
2013 Alberta Flooding		
Non Disaster Recovery Program	23,622	45,981
Consolidated Statement of Financial Position		
Accounts Receivable (GoC) [1]	376,799	494,973
Accounts Payable and Accrued Liabilities [3][4]	497,970	699,288

[1] In 2015, the total estimated GoC revenue was $994,973. This amount was adjusted in 2016 by ($18,174) as a result of changes in estimated future DRP costs; consequently, the total estimated GoC revenue is now $976,799. Accounts Receivable of $376,799 reflects $600,000 in advances received.

[2] In 2015, total estimated DRP expense was $1,649,484. This amount was adjusted in 2016 by ($54,310) as a result of changes in estimated future DRP costs; consequently, the total estimated DRP expense is now $1,595,174.

[3] Prior Year Expenditure Refunds (PYER) is the result of decreases to the total estimated DRP expense estimated in prior years.

[4] Accounts Payable and Accrued Liabilities decreased by $201,318. The decrease was a result of payments of $147,008 and a change in estimate of $54,310.

NOTE 16 SUBSEQUENT EVENT

In May 2016, wildfires seriously affected Fort McMurray and surrounding areas. The government is in the process of providing financial assistance for uninsurable loss and damage through its Disaster Recovery Programs (DRP). The DRP is administered and funded by Alberta Emergency Management Agency through the authority of the Disaster Recovery Regulation.

The Province, subject to certain criteria, may recover part of the above costs from the federal government through the Disaster Financial Assistance Arrangement, pending approval through its Order in Council.

The financial impact on the ministry may be significant but is uncertain at this stage.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 17 COMPARATIVE FIGURES

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 18 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the senior financial officer and the deputy minister.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 1**
REVENUES
Year ended March 31, 2016
(in thousands)

	2016		2015
	Budget	**Actual**	**Actual**
Federal and Other Government Grants			
Government Transfers			
Federal Grant Programs	237,813	236,369	218,524
Disaster Financial Assistance Arrangements (1)	-	(22,066)	(423,978)
Other	-	-	16
	237,813	214,303	(205,438)
Premiums, Fees and Licences	32,555	30,975	32,355
Investment Income	208	713	689
Other Revenue			
Current Expenditure Refunds	-	4,244	4,603
Prior Year Expenditure Refunds	-	75,840	783,346
Miscellaneous	5,646	68	502
	5,646	80,152	788,451
	$ 276,222	$ 326,143	$ 616,057

(1) 2016 Disaster Financial Assistance Arrangements includes an adjustment of ($18,174) (2015 - ($423,101)) as a result of changes in estimated future 2013 Alberta Flooding DRP costs - see note 2(b).

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 2

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2016

(in thousands)

	2016		2015
	Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 69,409	$ 60,847	$ 59,338
Supplies and Services	31,091	24,333	32,218
Grants	1,327,317	1,326,596	2,087,988
Amortization of Tangible Capital Assets	3,097	1,932	1,954
Financial Transactions and Other	68	175	157
	$ 1,430,982	$ 1,413,886	$ 2,181,655

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 3

RELATED PARTY TRANSACTIONS
Year ended March 31, 2016

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2016	2015
Expenses - Directly Incurred		
Business and Technology Services	$ 2,234	$ 2,022
Insurance	130	101
Other Services	250	101
Grants	-	-
	$ 2,614	$ 2,224
Accounts Receivable		
Alberta Social Housing Corporation	$ -	$ 185
	$ -	$ 185
Accounts Payable		
Alberta Social Housing Corporation	$ 2,877	$ -
Alberta Environmental Monitoring, Evaluation and Reporting Agency	-	103
Health Authorities	139	-
School Jurisdictions	4,256	4,860
Post Secondary Institutions	58	58
	$ 7,330	$ 5,021

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 3**
RELATED PARTY TRANSACTIONS **(Cont'd)**
Year ended March 31, 2016
(in thousands)

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the consolidated financial statements but are disclosed in Schedule 4.

	Other Entities	
	2016	**2015**
Expenses - Incurred by Others (Schedule 4)		
Accommodation	$ 5,656	$ 5,780
Business Services[1]	3,057	3,452
Legal	1,260	1,148
	$ 9,973	$ 10,380

[1] Business Services includes financial and administrative services.

The ministry paid $63,786 (2015 - $58,881) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 4**
ALLOCATED COSTS
Year ended March 31, 2016
(in thousands)

	2016					2015
		Expenses - Incurred by Others				
Program	Expenses(1)	Accommodation Costs(2)	Legal Services(3)	Business Services(4)	Expenses	Expenses (Restated - Note 3)
Ministry Support Services	$ 15,747	$ 816	$ 159	$ 3,057	$ 19,779	$ 19,451
Municipal Assessments and Grant Administration	14,213	1,069	126	-	15,408	15,949
Municipal Services and Legislation	10,720	769	468	-	11,957	12,231
Municipal Sustainability Initiative	876,889	-	-	-	876,889	1,638,337
Federal Grant Programs	264,623	-	-	-	264,623	223,341
Grants in Place of Taxes	64,554	-	-	-	64,554	59,595
Alberta Community Partnership	44,308	-	-	-	44,308	48,423
Public Safety	14,243	854	258	-	15,355	15,135
Alberta Emergency Management Agency	35,743	976	246	-	36,965	67,089
Municipal Government Board	4,112	159	3	-	4,274	4,610
Library Services	35,870	122	-	-	35,992	32,784
2013 Alberta Flooding	23,622	891	-	-	24,513	47,131
Safety Codes Council	9,242	-	-	-	9,242	7,959
	$ 1,413,886	$ 5,656	$ 1,260	$ 3,057	$ 1,423,859	$ 2,192,035

(1) Expenses – Directly Incurred as per Consolidated Statement of Operations.

(2) Cost shown for Accommodation on Schedule 3, allocated by number of employees.

(3) Costs shown for Legal Services on Schedule 3, allocated by estimated costs incurred by each program.

(4) Business Services includes financial and administrative services allocated by estimated costs incurred in each program.

Department of Municipal Affairs Financial Statements

For the year ended March 31, 2016

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AUDITOR GENERAL
Alberta

Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Municipal Affairs, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Municipal Affairs as at March 31, 2016, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 9, 2016

Edmonton, Alberta

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF OPERATIONS
Year ended March 31, 2016
(in thousands)

	2016				2015	
	Budget		Actual		Actual (Restated - Note 3)	
Revenues (Schedule 1)						
Government Transfers						
Federal and Other Government Grants	$	237,813	$	214,303	$	(205,438)
Premiums, Fees and Licences		22,959		21,996		22,898
Other		4,929		80,062		788,113
		265,701		316,361		605,573
Expenses - Directly Incurred (Note 2(b) and Schedules 3, 4, and 7)						
Programs						
Ministry Support Services		18,694		15,747		15,034
Municipal Assessments and Grants		18,296		14,213		14,832
Municipal Services and Legislation		12,552		10,720		11,068
Municipal Sustainability Initiative		876,889		876,889		1,638,337
Federal Grant Programs		266,347		264,623		223,341
Grants in Place of Taxes		64,695		64,554		59,595
Alberta Community Partnership		40,000		44,307		48,423
Public Safety		17,661		14,603		14,199
Alberta Emergency Management Agency		34,891		35,742		65,873
Municipal Government Board		4,622		4,112		4,450
Library Services		36,049		35,870		32,662
2013 Alberta Flooding (Note 13)		29,823		23,622		45,981
		1,420,519		1,405,002		2,173,795
Annual Deficit	$	(1,154,818)	$	(1,088,641)	$	(1,568,222)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
As at March 31, 2016
(in thousands)

	2016	2015 (Restated - Note 3)
Financial Assets		
Cash	$ 33	$ 3
Accounts Receivable (Note 4)	463,422	567,790
	463,455	567,793
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	844,269	1,453,178
Deferred Revenue (Note 6)	1,162	702
	845,431	1,453,880
Net Debt	(381,976)	(886,087)
Non-Financial Assets		
Tangible Capital Assets (Note 7)	6,313	5,685
Net Liabilities	$ (375,663)	$ (880,402)
Net Liabilities at Beginning of Year	(880,402)	(1,076,579)
Annual Deficit	(1,088,641)	(1,568,222)
Net Financing Provided from General Revenues	1,593,380	1,764,399
Net Liabilities at End of Year	$ (375,663)	$ (880,402)

Contingent Liabilities and Contractual Obligations (Notes 8 and 9)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2016
(in thousands)

	2016		2015
	Budget	Actual	Actual (Restated - Note 3)
Annual Deficit	$ (1,154,818)	$ (1,088,641)	$ (1,568,222)
Acquisition of Tangible Capital Assets	(4,630)	(2,314)	(3,978)
Amortization of Tangible Capital Assets (Note 7)	2,929	1,676	1,728
Loss on Disposal of Tangible Capital Assets		10	-
Net Financing Provided from General Revenues		1,593,380	1,764,399
Decrease in Net Debt		504,111	193,927
Net Debt at Beginning of Year		(886,087)	(1,080,014)
Net Debt at End of Year		$ (381,976)	$ (886,087)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CASH FLOWS
Year ended March 31, 2016
(in thousands)

	2016	2015 (Restated - Note 3)
Operating Transactions		
Annual Deficit	$ (1,088,641)	$ (1,568,222)
Non-cash Items Included in Net Operating Results:		
Amortization of Tangible Capital Assets (Note 7)	1,676	1,728
Loss on Disposal of Tangible Capital Assets	10	-
	(1,086,955)	(1,566,494)
Decrease in Accounts Receivable	104,368	470,341
Decrease in Accounts Payable and Accrued Liabilities	(608,909)	(659,257)
Increase (Decrease) in Deferred Revenue	460	(5,041)
Cash Applied to Operating Transactions	(1,591,036)	(1,760,451)
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 7)	(2,314)	(3,978)
Cash Applied to Capital Transactions	(2,314)	(3,978)
Financing Transactions		
Net Financing Provided from General Revenues	1,593,380	1,764,399
Cash Provided by Financing Transactions	1,593,380	1,764,399
Increase (Decrease) in Cash	30	(30)
Cash at Beginning of Year	3	33
Cash at End of Year	$ 33	$ 3

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 AUTHORITY AND PURPOSE

The Department of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The department is aligned with the strategic direction of the Government of Alberta by launching a new relationship with municipalities that strengthens Alberta's communities and provides opportunities for Albertans to succeed.

The department's desired outcomes are:

- Albertans live in viable municipalities and communities with responsible, collaborative, and accountable local governments.
- Strengthen measures that ensure Albertans are safe in their homes and communities.
- Improve Alberta's preparedness for disasters and emergencies.
- Fair, timely, and well-reasoned decisions are provided on matters before the Municipal Government Board and the New Home Buyer Protection Board.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Municipal Affairs which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. The other entity reporting to the minister is the Safety Codes Council. The activities of this organization are not included in these financial statements. The department is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these financial statements except by way of disclosure in Note 11 to these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided from general revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting

Revenue

All revenues are reported on the accrual basis of accounting.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the eligibility criteria of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues as the stipulations are met and, when applicable, the department complies with its communicated uses of these transfers.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the transfer is authorized and the department meets the eligibility criteria (if any).

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

The department recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Deferred Revenue

Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery Initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Expenses (Cont'd)

Directly Incurred (Cont'd)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 6 and allocated to programs in Schedule 7.

Valuation of Financial Assets and Liabilities
(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable (excluding disaster recovery accounts receivable), and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable $430,331 (2015 – $559,893), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the department believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the department is unable to estimate the fair value.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets of the department are limited to cash, financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Accounts Receivable

Accounts receivable are recorded at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Liabilities

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Non-Financial Assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver government services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets of the department are limited to tangible capital assets.

Tangible Capital Assets

Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major system enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is put into service.

When tangible capital assets are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Assets acquired by right are not included.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program, disclosed as $557,260 (2015 – $798,560) in these financial statements are subject to measurement uncertainty. Included in this amount is $497,970 (2015 - $699,288) for 2013 Alberta Flooding.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Measurement Uncertainty (Cont'd)
(in thousands)

A portion of the Government of Canada accounts receivable, $430,331 (2015 – $559,893) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. Included in this amount is $376,799 (2015 - $494,973) for 2013 Alberta Flooding. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as inflation rate fluctuations in local construction costs, receipt of eligible claims, and the extent of the damage as it is identified.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(c) Change in Accounting Policy

A net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net Debt is measured as the difference between the department's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding an additional Statement of Change in Net Debt.

(d) Future Accounting Changes

In June 2015 the Public Sector Accounting Board issued these following accounting standards;

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(d) Future Accounting Changes (Cont'd)

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

PS 3450 Financial Instruments
In June 2011 the Public Sector Accounting Board issued this accounting standard effective April 1, 2019. The department has not yet adopted this standard and has the option of adopting it in fiscal 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601 Foreign Currency Translation; PS 1201 Financial Statement Presentation; and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

NOTE 3 PROGRAM TRANSFER/GOVERNMENT REORGANIZATIONS

(in thousands)

Effective April 1, 2015, responsibility for funding two communications positions was transferred from the Department of Executive Council to the Department of Municipal Affairs.

Effective April 1, 2015, responsibility for funding two legal positions was transferred from the Department of Municipal Affairs to the Department of Justice and Solicitor General.

Comparatives for 2015 have been restated as if the department had always been assigned with its current responsibilities. The following is a summary of the effect of the program transfers to the 2014-15 financial statements:

	2015			
	As Previously Reported	Transfer from Executive Council	Transfer to Justice and Solicitor General	As Restated
Revenues	$ 605,573	$ -	$ -	$ 605,573
Expenses	2,173,860	285	(350)	2,173,795
Annual Deficit	(1,568,287)	(285)	350	(1,568,222)
Net Financing Provided by General Revenues	1,764,464	285	(350)	1,764,399
Opening Net Liabilities	(1,076,579)	-	-	(1,076,579)
Net Liabilities at March 31, 2015	$ (880,402)	$ -	$ -	$ (880,402)

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2016			2015
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada	$ 461,939	$ -	$ 461,939	$ 564,197
Other	1,558	(75)	1,483	3,593
	$ 463,497	$ (75)	$ 463,422	$ 567,790

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2016	2015
Accounts Payable	$ 1,055	$ 1,823
Other Accrued Liabilities	843,214	1,451,355
	$ 844,269	$ 1,453,178

NOTE 6 DEFERRED REVENUE

(in thousands)

	2016			2015
	Federal Gas Tax Fund	Other	2016 Total	2015 Total
Unearned Revenue				
Balance, beginning of year	$ 626	76	$ 702	$ 5,743
Received/receivable during the year	208,650	-	208,650	208,650
Less amounts recognized as revenue	(208,114)	(76)	(208,190)	(213,691)
Balance, end of year	$ 1,162	$ -	$ 1,162	$ 702

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 7 TANGIBLE CAPITAL ASSETS

(in thousands)

	Equipment[1]	Computer Hardware and Software	2016 Total	2015 Total
Estimated Useful Life	10 years	5 years		
Historical Cost [2]				
Beginning of Year	$ 2,710	$ 22,993	$ 25,703	$ 21,735
Additions	-	2,314	2,314	3,978
Disposals, Including Write-downs	(1,060)	(1,997)	(3,057)	(10)
	$ 1,650	$ 23,310	$ 24,960	$ 25,703
Accumulated Amortization				
Beginning of Year	$ 2,111	$ 17,907	$ 20,018	$ 18,300
Amortization Expense	146	1,530	1,676	1,728
Effect of Disposals	(1,060)	(1,987)	(3,047)	(10)
	1,197	17,450	$ 18,647	20,018
Net Book Value at March 31, 2016	$ 453	$ 5,860	$ 6,313	
Net Book Value at March 31, 2015	$ 599	$ 5,086		$ 5,685

[1] Equipment includes office equipment and Emergency Mobile Command and Coordination Vehicles.

[2] Historical cost includes work-in-progress at March 31, 2016 totaling $1,456 comprised of : Computer hardware and software $1,456 (2015 - $740).

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in six (2015 – three) claims of which the outcome is not determinable. Of these claims, six (2015 – three) have specified amounts totalling $11,438 (2015 – $8,990). Included in the total claims, three claims totalling $583 (2015 – one claim totalling $5,500) are covered in whole or in part by the Alberta Risk Management Fund.

The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2016	2015
Service Contracts	$ 25,782	$ 28,795
Agreements[1]	4,619,000	5,146,100
	$ 4,644,782	$ 5,174,895

[1] Agreements of $4,619,000 relate to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Department of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contracts	Agreements	Total
2016-17	$ 8,592	$ 876,000	$ 884,592
2017-18	6,521	876,000	882,521
2018-19	5,357	876,000	881,357
2019-20	5,312	805,984	811,296
2020-21	-	951,000	951,000
Thereafter	-	234,016	234,016
	$ 25,782	$ 4,619,000	$ 4,644,782

NOTE 10 BENEFIT PLANS

(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,945 for the year ended March 31, 2016 (2015 - $6,561). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2015, the Management Employees Pension Plan reported a surplus of $299,051 (2014 – surplus $75,805), the Public Service Pension Plan reported a deficiency of $133,188 (2014 – deficiency $803,299) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $16,305 (2014 – deficiency $17,203).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2016, the Bargaining Unit Plan reported a surplus of $83,006 (2015 – surplus $86,888) and the Management, Opted Out and Excluded Plan a surplus of $29,246 (2015 – surplus $32,343). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 11 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the accumulated surplus as disclosed in the audited financial statements of the trust funds for December 31, 2015 and December 31, 2014 are as follows:

	2015	2014
Special Areas Trust Account	$ 291,553	$ 283,344
Improvement Districts' Trust Account	20,205	19,101
	$ 311,758	$ 302,445

NOTE 12 PAYMENTS UNDER AGREEMENT

(in thousands)

The department has entered into agreements to deliver programs and services that are fully funded by Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Management Support Program.

Costs under these agreements are incurred by the department under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $1,203 (2015 – $855) and accounts payable includes $17 (2015 – $19) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2016	2015
First Nations Emergency Management Support Program	$ 915	$ 874

NOTE 13 2013 ALBERTA FLOODING

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the department through the authority of the *Disaster Recovery Regulation* .

The department recognizes the DRP expense when the Government of Alberta issues an Order in Council. For the 2013 Alberta Flooding this occurred on June 25, 2013.

The department recognizes Disaster Financial Assistance Arrangements (DFAA) revenue when the Government of Canada (GoC) issues an Order in Council (OiC) declaring the Alberta disaster to be of a concern to the GoC. For the 2013 Alberta Flooding this occurred on July 3, 2013 through OiC 162.

NOTE 13 2013 ALBERTA FLOODING (Cont'd)

(in thousands)

The estimate of DFAA revenue from the GoC is determined by assessing eligible DRP expenses under the DFAA guidelines. As a result, some DRP expenses have been excluded from DFAA revenue. The department will continue to pursue revenue from the GoC for expenses that are currently excluded from the DFAA guidelines.

The DRP expense and DFAA revenue are both calculated based on management estimates (Note 2(b)). During 2015 and 2016, the projected DRP expense and DFAA revenue were adjusted to reflect management's best estimate of the remaining obligations of the DRP and expected DFAA revenue.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). The department recognizes non-DRP expenses when the expense recognition criteria are met.

For both the DRP and non-DRP, the expenses are net of recoveries from insurance and other third parties.

	2016	2015
Statement of Operations		
Revenue		
Disaster Financial Assistance Arrangements (GoC) (1)	$ (18,174)	$ (423,101)
Prior Year Expenditure Refunds (2) (3)	54,310	755,876
Expenses		
2013 Alberta Flooding		
Non Disaster Recovery Program	23,622	45,981
Statement of Financial Position		
Accounts Receivable (GoC) (1)	376,799	494,973
Accounts Payable and Accrued Liabilities (4)	497,970	699,288

(1) In 2015, the total estimated GoC revenue was $994,973. This amount was adjusted in 2016 by ($18,174) as a result of changes in estimated future DRP costs; consequently, the total estimated GoC revenue is now $976,799. Accounts Receivable of $376,799 reflects $600,000 in advances received.

(2) In 2015, total estimated DRP expense was $1,649,484. This amount was adjusted in 2016 by ($54,310) as a result of changes in estimated future DRP costs; consequently, the total estimated DRP expense is now $1,595,174.

(3) Prior Year Expenditure Refunds (PYER) is the result of decreases to the total estimated DRP expense estimated in prior years.

(4) Accounts Payable and Accrued Liabilities decreased by $201,318. The decrease was a result of payments of $147,008 and a change in estimate of $54,310.

NOTE 14 SUBSEQUENT EVENT

In May 2016, wildfires seriously affected Fort McMurray and surrounding areas. The government is in the process of providing financial assistance for uninsurable loss and damage through its Disaster Recovery Programs (DRP). The DRP is administered and funded by Alberta Emergency Management Agency through the authority of the Disaster Recovery Regulation.

NOTE 14 SUBSEQUENT EVENT (Cont'd)

The Province, subject to certain criteria, may recover part of the above costs from the federal government through the Disaster Financial Assistance Arrangement, pending approval through its Order in Council.

The financial impact on the department may be significant but is uncertain at this stage.

NOTE 15 COMPARATIVE FIGURES

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the deputy minister.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
Year ended March 31, 2016
(in thousands)

Schedule 1

	2016		2015
	Budget	Actual	Actual
Government Transfers			
Federal and Other Government Grants			
Federal Grant Programs	$ 237,813	$ 236,369	$ 218,524
Disaster Financial Assistance Arrangements (1)	-	(22,066)	(423,978)
Other	-	-	16
	237,813	214,303	(205,438)
Premiums, Fees and Licences	22,959	21,996	22,898
Other Revenue			
Current Expenditure Refunds	4,841	4,215	4,581
Prior Year Expenditure Refunds	-	75,840	783,346
Miscellaneous	88	7	186
	4,929	80,062	788,113
Total Revenues	$ 265,701	$ 316,361	$ 605,573

(1) 2016 Disaster Financial Assistance Arrangements includes an adjustment of ($18,174) (2015 - ($423,101)) as a result of changes in estimated future 2013 Alberta Flooding DRP costs - see note 2(b).

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
CREDIT OR RECOVERY
Year ended March 31, 2016
(in thousands)

Schedule 2

	2016			
	Authorized[1]	Actual Revenue Recognized	Total Revenue Received/ Receivable	(Shortfall)/ Excess[2]
Municipal Assessments and Grants				
Linear Assessment Services[3]	$ 3,440	$ 2,895	$ -	$ (545)
	$ 3,440	$ 2,895	$ -	$ (545)

[1] Only expenditures are authorized.

[2] Shortfall is deducted from current year's authorized spending, as disclosed in Schedule 4 to the financial statements.

[3] The department prepares linear property assessments for various municipalities on a cost recovery basis. The department prepares the linear property assessments, sends assessment notices to taxpayers, defends the assessments and provides data to municipalities, who in turn charge taxes to the owners of the linear property. The revenue is reported as part of other revenue on the Statement of Operations.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS

Schedule 3

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2016

(in thousands)

	2016		2015
	Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 63,829	$ 55,587	$ 54,649
Supplies and Services	26,501	20,710	29,270
Grants	1,327,192	1,326,956	2,088,078
Amortization of Tangible Capital Assets	2,929	1,676	1,728
Other	68	73	70
	$ 1,420,519	$ 1,405,002	$ 2,173,795

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016
(in thousands)

Schedule 4

		Voted Estimate (1)	Supplementary Estimate (2)	Adjustments (3)	Adjusted Voted Estimate	Voted Actuals (4)	Unexpended (Over Expended)
Program - Operating Expense							
1	**Ministry Support Services**						
1.1	Minister's Office	$ 912	$ -	$ -	$ 912	$ 830	$ 82
1.3	Deputy Minister's Office	924	-	-	924	890	34
1.4	Support Services	16,110	-	-	16,110	13,793	2,317
		17,946	-	-	17,946	15,513	2,433
2	**Municipal Assessments and Grant Administration**						
2.1	Program Support	1,799	-	-	1,799	1,349	450
2.2	Assessment Services	8,757	-	(545)	8,212	6,886	1,326
2.3	Grants and Education Property Tax	6,293	-	-	6,293	5,574	719
		16,849	-	(545)	16,304	13,809	2,495
3	**Municipal Services and Legislation**						
3.1	Program Support	1,887	-	-	1,887	1,810	77
3.2	Major Legislative Projects and Strategic Planning	2,781	-	-	2,781	2,299	482
3.3	Municipal Services	7,864	-	-	7,864	6,549	1,315
		12,532	-	-	12,532	10,658	1,874
4	**Municipal Sustainability Initiative**						
4.1	Municipal Sustainability Initiative Operating	30,000	-	(1,788)	28,212	28,212	-
4.2	Municipal Sustainability Initiative Capital	497,100	-	1,788	498,888	498,888	-
4.3	Basic Municipal Transportation Grant	349,789	-	-	349,789	349,789	-
		876,889	-	-	876,889	876,889	-
5	**Federal Grant Programs**						
5.1	Federal Gas Tax Fund	209,280	-	-	209,280	208,114	1,166
5.2	Building Canada - Communities Component	867	-	-	867	309	558
5.3	Small Communities Fund	56,200	-	-	56,200	56,200	-
		266,347	-	-	266,347	264,623	1,724
6	**Grants in Place of Taxes**	64,695	-	-	64,695	64,554	141
7	**Alberta Community Partnership**	40,000	-	-	40,000	44,307	(4,307)
8	**Public Safety**						
8.1	Central Operations	2,052	-	-	2,052	2,607	(555)
8.2	Safety Services	7,120	-	-	7,120	5,862	1,258
8.3	Office of the Fire Commissioner	4,110	-	-	4,110	4,011	99
8.4	Tank Site Remediation Program	74	-	-	74	152	(78)
8.5	New Home Buyer Protection Program	3,505	-	(473)	3,032	1,231	1,801
		16,861	-	(473)	16,388	13,863	2,525

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016
(in thousands)

Schedule 4
(Cont'd)

		Voted Estimate [1]	Supplementary Estimate [2]	Adjustments [3]	Adjusted Voted Estimate	Voted Actuals [4]	Unexpended (Over Expended)
9	**Alberta Emergency Management Agency**						
9.1	Managing Director's Office	742	-	-	742	461	281
9.2	Public Safety Initiatives	2,470	-	-	2,470	2,528	(58)
9.3	Provincial Operations	6,030	-		6,030	5,916	114
9.4	Recovery Operations	6,164	-	-	6,164	3,985	2,179
9.5	Disaster Recovery	200	9,045	-	9,245	3,428	5,817
9.6	Emergency Preparedness Grants	150	-	-	150	150	-
		15,756	9,045	-	24,801	16,468	8,333
10	**Municipal Government Board**	4,618	-	-	4,618	4,132	486
11	**Library Services**						
11.1	Library Services Operations	1,733	-	-	1,733	1,568	165
11.2	Provincial Library Network	34,316	-	-	34,316	34,275	41
		36,049	-	-	36,049	35,843	206
12	**2013 Alberta Flooding**						
12.3	Property Tax Relief	6,771	-	-	6,771	3,005	3,766
12.5	High River Long Term Recovery	18,052	-	-	18,052	18,052	-
12.6	Other Initiatives	5,000	-	-	5,000	2,565	2,435
		29,823	-	-	29,823	23,622	6,201
	Total	$ 1,398,365	$ 9,045	$ (1,018)	$ 1,406,392	$ 1,384,281	$ 22,111
	Lapse/(Encumbrance)						$ 22,111

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016
(in thousands)

Schedule 4
(Cont'd)

		Voted Estimate (1)	Supplementary Estimate (2)	Adjustments (3)	Adjusted Voted Estimate	Voted Actuals (4)	Unexpended (Over Expended)
Program - Capital Investment							
1	**Ministry Support Services**						
1.4	Support Services	$ 95	$ -	$ -	$ 95	802	$ (707)
2	**Municipal Assessments and Grant Administration**						
2.2	Assessment Services	495	-	-	495	30	465
2.3	Grants and Education Property Tax	445	-	-	445	321	124
		940	-	-	940	351	589
3	**Municipal Services and Legislation**						
3.1	Program Support	95	-	-	95	-	95
8	**Public Safety**						
8.5	New Home Buyer Protection Program	-	-	473	473	398	75
9	**Alberta Emergency Management Agency**						
9.4	Recovery Operations	3,500	-	-	3,500	764	2,736
	Total	$ 4,630	$ -	$ 473	$ 5,103	$ 2,315	$ 2,788
	Lapse/(Encumbrance)						$ 2,788

		Voted Estimate (1)	Supplementary Estimate (2)	Adjustments (3)	Adjusted Voted Estimate	Voted Actuals (4)	Unexpended (Over Expended)
Financial Transactions							
12	**2013 Alberta Flooding Liability Retirement**						
12.1	Disaster Recovery Program - Flooding	$ 452,026	$ -	$ -	$ 452,026	$ 147,008	$ 305,018
	Total	$ 452,026	$ -	$ -	$ 452,026	$ 147,008	$ 305,018
	Lapse/(Encumbrance)						$ 305,018

This Schedule is required by Section 24(4) of the *Financial Administration Act*.

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transactions Vote by Program" page 195 to page 198 of 2015-16 Government Estimates.

(2) Per the Supplementary Estimates approved on March 23, 2016. These are outlined below:

- $9,045 for the 2015 Southcentral Alberta Disaster Recovery Program.

(3) Adjustments include a $545 credit or recovery shortfall and an approved transfer of $473 from operating to capital investment pursuant to the *Appropriation Act, 2015*, section 6(1).

(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year ended March 31, 2016
(in dollars)

Schedule 5

	2016				2015
	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Department					
Deputy Minister[4]	$288,076	$ -	$ 74,248	$362,324	$ 471,209
Assistant Deputy Ministers					
Municipal Assessments and Grant[5]	195,255	-	82,971	278,226	298,329
Municipal Services and Legislation	187,310	-	49,855	237,165	223,392
Public Safety	201,946	-	52,812	254,758	264,120
Corporate Strategic Services	201,946	-	53,996	255,942	248,851
Alberta Emergency Management Agency					
Managing Director	180,134	-	48,328	228,462	230,006

(1) Base salary includes regular salary and earnings such as acting pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2016.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals during the year. The occupancy of the position changed October 26, 2015.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS

Schedule 6

Year ended March 31, 2016
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2016	2015	2016	2015
Expenses - Directly Incurred				
Grants	$ 360	$ 90	$ -	$ -
Business and Technology Services	-	-	2,234	2,022
Insurance	-	-	130	101
Other Services	-	10	250	101
	$ 360	$ 100	$ 2,614	$ 2,224
Receivables from				
Safety Codes Council	$ -	$ 6	$ -	$ -
Alberta Social Housing Corporation	-	-	-	185
	$ -	$ 6	$ -	$ 185
Payables to				
Alberta Social Housing Corporation	$ -	$ -	$ 2,877	$ -
Alberta Environmental Monitoring, Evaluation and Reporting Agency	-	-	-	103
Safety Codes Council	250	-	-	-
Health Authorities	-	-	139	-
School Jurisdictions	-	-	4,256	4,860
Post Secondary Institutions	-	-	58	58
	$ 250	$ -	$ 7,330	$ 5,021

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2016
(in thousands)

Schedule 6
(Cont'd)

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	Other Entities	
	2016	2015
Expenses - Incurred by Others (Schedule 7)		
Accommodation	$ 5,656	$ 5,780
Business Services[1]	3,057	3,452
Legal	1,260	1,148
	$ 9,973	$ 10,380

[1] Business Services includes financial and administrative services.

The department paid $63,786 (2015 - $58,881) of grants in place of taxes on behalf of other ministries.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS **Schedule 7**
ALLOCATED COSTS
Year ended March 31, 2016
(in thousands)

	2016					2015
		Expenses - Incurred by Others				
Program	Expenses[1]	Accommodation Costs[2]	Legal Services[3]	Business Services[4]	Total Expenses	Total Expenses
						(Restated - Note 3)
Ministry Support Services	$ 15,747	$ 816	$ 159	$ 3,057	$ 19,779	$ 19,451
Municipal Assessments and Grants	14,213	1,069	126	-	15,408	15,949
Municipal Services and Legislation	10,720	769	468	-	11,957	12,231
Municipal Sustainability Initiative	876,889	-	-	-	876,889	1,638,337
Federal Grant Programs	264,623	-	-	-	264,623	223,341
Grants in Place of Taxes	64,554	-	-	-	64,554	59,595
Alberta Community Partnership	44,307	-	-	-	44,307	48,423
Public Safety	14,603	854	258	-	15,715	15,234
Alberta Emergency Management Agency	35,742	976	246	-	36,964	67,089
Municipal Government Board	4,112	159	3	-	4,274	4,610
Library Services	35,870	122	-	-	35,992	32,784
2013 Alberta Flooding	23,622	891	-	-	24,513	47,131
	$ 1,405,002	$ 5,656	$ 1,260	$ 3,057	$ 1,414,975	$ 2,184,175

[1] Expenses – Directly Incurred as per Statement of Operations.

[2] Cost shown for Accommodation on Schedule 6, allocated by number of employees.

[3] Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

[4] Business Services includes financial and administrative services allocated by estimated costs incurred by each program.

Safety Codes Council Financial Statements

For the year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of Safety Codes Council

We have audited the accompanying financial statements of Safety Codes Council (the "Council"), which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets, remeasurement gains (losses) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2015, and its results of operations, its changes in net assets, remeasurement gains (losses) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by KPMG LLP]

Chartered Professional Accountants

April 8, 2016
Edmonton, Canada

SAFETY CODES COUNCIL

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 556,136	$ 1,369,663
Accounts receivable	553,116	604,719
Prepaid expenses and deposits	112,926	169,766
	1,222,178	2,144,148
Investments (note 2)	10,266,996	9,470,677
Capital assets (note 3)	1,302,675	877,856
	$ 12,791,849	$ 12,492,681
Liabilities, Net Assets and Accumulated Remeasurement Gains (Losses)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 552,315	$ 536,490
Deferred revenue (note 4)	235,447	1,072,086
Current portion of deferred lease inducement	6,491	6,491
	794,253	1,615,067
Deferred lease inducement	7,034	13,525
Net assets:		
Unrestricted	8,230,185	6,868,936
Internally restricted (note 5)	3,000,000	3,000,000
Invested in capital assets	1,302,675	877,856
	12,532,860	10,746,792
Accumulated remeasurement gains (losses)	(542,298)	117,297
	11,990,562	10,864,089
Commitments (note 6)		
	$ 12,791,849	$ 12,492,681

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenues:		
Operating fees:		
Municipalities and agencies	$ 6,629,155	$ 7,053,806
Corporations	1,050,896	1,001,915
Grants (note 4)	1,245,718	247,004
Investment income	712,678	688,722
Course and exam fees (note 4)	612,610	659,669
Master Electricians Program certification fees	563,820	535,025
Certification (note 4)	88,629	81,820
Annual conference	45,184	75,475
Other revenues and recoveries	28,832	31,652
Application development	16,300	117,000
Designation of powers	15,900	22,150
Accreditation	12,123	3,000
Appeals	6,000	4,500
	11,027,845	10,521,738
Expenses:		
Salaries and benefits	5,259,782	4,689,586
Contractors and consultants	1,071,119	581,708
Office rental	524,591	538,157
Travel (note 7)	338,987	277,502
Annual conference	305,855	267,435
Amortization of capital assets	256,506	225,759
Publications	216,706	112,916
Office and general	184,334	170,492
Electronic business solutions	177,553	173,164
Course and seminar costs	170,028	178,539
New course version	127,245	7,512
Meetings	104,592	82,279
Bank and investment service charges	94,960	80,441
Consulting fees	83,703	177,349
Appeals	80,581	45,961
Professional fees	75,660	92,379
Honoraria (note 7)	47,534	53,404
New course development	45,520	95,060
Insurance	30,085	31,219
Test bank validations	14,238	6,433
Special training programs	9,415	6,015
Electronic conversion	7,560	35,523
Loss on disposal of capital assets	7,294	6,524
Corporate memberships	6,428	7,198
Course revisions	1,501	-
Code update training	-	16,828
	9,241,777	7,959,383
Excess of revenues over expenses	$ 1,786,068	$ 2,562,355

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Unrestricted	Internally restricted (note 5)	Invested in capital assets	2015 Total	2014 Total
Balance, beginning of year	$ 6,868,936	$ 3,000,000	$ 877,856	$ 10,746,792	$ 8,184,437
Excess (deficiency) of revenues over expenses	2,049,868	-	(263,800)	1,786,068	2,562,355
Investment in capital assets	(688,619)	-	688,619	-	-
Balance, end of year	$ 8,230,185	$ 3,000,000	$ 1,302,675	$ 12,532,860	$ 10,746,792

Statement of Remeasurement Gains (Losses)

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Accumulated remeasurement gains, beginning of year	$ 117,297	$ 26,554
Change in unrealized gains (losses) attributable to investments	(656,296)	90,743
Realized gains reclassified to statement of operations	(3,299)	-
Accumulated remeasurement gains (losses), end of year	$ (542,298)	$ 117,297

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flow

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 1,786,068	$ 2,562,355
Item not involving cash:		
Amortization of capital assets	256,506	225,759
Loss on disposal of capital assets	7,294	6,524
Amortization of deferred lease inducement	(6,491)	(6,491)
Changes in non-cash operating working capital:		
Accounts receivable	51,603	(59,952)
Prepaid expenses and deposits	56,840	(82,208)
Accounts payable and accrued liabilities	15,825	71,437
Deferred revenue	(836,639)	850,565
	1,331,006	3,567,989
Capital activities:		
Purchase of capital assets	(688,619)	(93,141)
Investing activities:		
Reinvested net investment income from investments	(710,792)	(685,827)
Purchase of investments	(1,009,428)	(1,880,383)
Proceeds from disposition of investments	264,306	36,395
	(1,455,914)	(2,529,815)
Increase (decrease) in cash	(813,527)	945,033
Cash, beginning of year	1,369,663	424,630
Cash, end of year	$ 556,136	$ 1,369,663
Supplemental cash flow information:		
Bank and investment service charges paid	$ 94,960	$ 80,441

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2015

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based Council is comprised of a Council Chair, a Board of Directors, a Technical Coordinating Committee and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- administer the Master Electricians' program;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

1. **Significant accounting policies:**

These financial statements are prepared by management in accordance with Canadian public sector accounting standards. As a government not-for-profit organization, the Council has elected to follow the standards for not-for-profit organizations in the CPA Canada Public Sector Accounting Handbook. The Council's significant accounting policies are as follows:

(a) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. **Significant accounting policies (continued):**

(a) Revenue recognition (continued):

Other revenues including operating fees from municipalities and agencies, corporations, courses and exams, Master Electrician Program certification fees, certification, annual conference, designation of powers, appeals and accreditation are recorded as they are earned. Other revenues that relate to future years are reflected as deferred revenue.

(b) Capital assets:

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Copyrights are not amortized. Assets not in use at year-end are not amortized.

(c) Deferred lease inducement:

Deferred lease inducement represents the unamortized value of an inducement received when the Council entered into a lease arrangement for the rental of office space. Amortization is provided on a straight-line basis over the term of the related lease as a reduction in office rent.

(d) Contributed services:

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains and losses are reversed and recognized in the statement of operations.

Public Sector Accounting Standards require the Council to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

2. Investments:

	Level	2015	2014
Cash	1	$ 590	$ 195,131
Jarislowsky Fraser Money Market Fund	1	2,939	7,821
Pooled funds (quoted in an active market)			
Jarislowsky Fraser Bond Fund	1	5,730,988	5,342,639
Jarislowsky Fraser Canadian Equity Fund	1	4,532,479	3,925,086
		$ 10,266,996	$ 9,470,677

3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 393,394	$ 212,928	$ 180,466	$ 95,257
Equipment	56,413	39,061	17,352	10,882
Computer hardware	509,338	260,821	248,517	171,432
Computer software	685,021	279,324	405,697	110,487
Leasehold improvements	1,096,714	657,838	438,876	478,031
Copyright	11,767	-	11,767	11,767
	$ 2,752,647	$ 1,449,972	$ 1,302,675	$ 877,856

Included in computer software are capital assets with a cost of $295,210 (2014 - $nil) which are not in use.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2015

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4. **Deferred revenue:**

	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized, net	Deferred revenue, end of year
Grants				
Alberta Safety Codes Authority	$ 825,796	$ 354,265	$ (1,179,737)	$ 324
Safe Temporary Heat Education	37,893	98	(36,753)	1,238
Certification Management System	29,175	53	(29,228)	-
	892,864	354,416	(1,245,718)	1,562
Other amounts				
Course and exam fees	25,855	651,165	(612,610)	64,410
Certification	153,367	104,737	(88,629)	169,475
	$ 1,072,086	$ 1,110,318	$ (1,946,957)	$ 235,447

Alberta Safety Codes Authority

In fiscal 2013, the Council applied for and obtained a one-time conditional grant from Alberta Municipal Affairs. The grant provides for a total of $1,500,000 to be received to complete the research (Phase 1 - $150,000), development (Phase 2 - $1,000,000) and implementation (Phase 3 - $350,000) of the Alberta Safety Codes Authority. Phase 1 was completed in late 2013. During the year, an amendment to the grant agreement was obtained permitting the Council to use the Phase 3 funding for development. No additional funding will be provided for the implementation phase. The Council commenced development during 2014 and is nearing completion of this Phase. Implementation is expected to occur early in 2016. Amounts received in the current year include bank interest earned equal to $4,265.

4. Deferred revenue (continued):

Safe Temporary Heat Education Program

During 2014, the Council applied for and obtained a one-time conditional grant from Alberta Municipal Affairs. The grant provides for a total of $60,000 to be received for the development of an education program to increase the safety of temporary heat installations on construction sites. Funding from Alberta Municipal Affairs was received in full during 2014. Amounts received in the current year includes bank interest earned equal to $98.

Certification Management System

During 2014, the Council applied for and obtained a one-time conditional grant from Alberta Municipal Affairs. The grant provides for a total of $30,000 to be received for the development and implementation of a certification management system to be used by the Council to manage and administer the certification of installers and maintainers of Portable Fire Extinguishers, Fixed Fire Suppression Systems, Kitchen Exhaust Systems, Fire Alarm Systems, and Sprinkler Systems. These funds were received in full during 2014. Amounts received in the current year include bank interest earned equal to $53.

5. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of $3,000,000 to manage sustainability risk over the medium term. Access to the restricted net assets is granted by resolution of the Board of Directors.

6. Commitments:

The Council is committed under an operating lease for its office premises which expires April 30, 2018. The Council also leases a data centre and server storage service, as well as photocopiers and related services, expiring November 2016, and March 2017 respectively.

2016	$ 300,511
2017	264,275
2018	86,988
	$ 651,774

The Council is also responsible for its share of operating costs related to the office premises lease.

7. Remuneration and other costs disclosure:

Board of Director members are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of $47,534 (2014 - $53,404) included in honoraria expense. Other costs consist of travel and accommodation related to meetings attendance which are included in travel expense.

	2015	2014
Board of Director members:		
Remuneration	$ 47,534	$ 53,404
Other	10,739	16,952
	$ 58,273	$ 70,356

8. Related party transactions:

Transactions with Alberta Municipal Affairs are considered to be in the normal course of operations. Amounts due to Alberta Municipal Affairs and the recorded amounts of the transactions are included with these financial statements unless otherwise stated.

Grant revenue of $1,245,718 (2014 - $247,004) on the statement of operations are from Alberta Municipal Affairs grants.

Alberta Municipal Affairs currently provides certain services to the Council including a monitoring service of accredited entities as part of the Municipal Support Program, at no cost. As a result of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

9. Financial risks and concentration of credit risk:

The Council is exposed to a number of different financial risks arising from its use of financial instruments, including market price risk, liquidity risk, credit risk and interest rate risk. The Council's overall risk management processes are designed to identify, manage and mitigate business risk.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Council's investments are in pooled-funds and carried at fair value with fair value changes recognized in the statement of operations and statement of remeasurement gains (losses), all changes in

9. Financial risks and concentration of credit risk (continued):

market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Council through their investment guidelines and policies, as monitored by the management of the Council and its investment manager. There have been no significant changes to the market price risk exposure from 2014.

Liquidity risk

Liquidity risk is both the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, and there will be no ability to sell its financial instruments should it wish to do so.

The Council's Investment Policy, which is reviewed and approved by the Board of Directors annually, establishes the nature of acceptable investments for its portfolio. As a result, 100% of the Council's investments are in pooled funds. Although market events could lead to some investments within the pooled fund becoming illiquid, the diversity and quality of the Council's investments is designed to ensure that liquidity is available to pay liabilities as they come due. The Council also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

There have been no significant changes to the liquidity risk exposure from 2014.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Council. In relation to the Council activities, credit risk arises from the issuance of permits by accredited third-parties and subsequent remittance of levies to the Council. This risk is mitigated through the Council's ongoing due diligence of accredited organizations, and the number of accredited organizations issuing permits. In relation to the Council's investment portfolio, credit risk arises from the bond or equity issuer defaulting on its obligations.

The Council manages credit risk by investing diversified pooled funds. Cash is held with reputable financial institutions and accounts receivable are with counterparties that the Council believes to be reputable entities. No individual financial asset is significant to the Council's operations. There have been no significant changes to the credit risk exposure from 2014.

Interest rate risk

The Council is exposed to interest rate risk associated with the underlying interest-bearing instruments held in the Jarislowsky Fraser Bond Fund and the Jarislowsky Fraser Canadian Equity Fund. To properly manage the Council's interest rate risk, appropriate guidelines and investment policies are set and monitored by management of the Council and its investment manager. There have been no significant changes to the interest rate risk exposure from 2014.

Summary Statement of Revenues and Expenditures of the Improvement Districts' Trust Account – UNAUDITED*

For the year ended December 31, 2015

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121 Detailed Statement of Revenue and Expenditures

** NOTE: The unaudited financial information schedule presented is derived from the audited financial statements of each Improvement District for the year ended December 31, 2015.*

Improvement Districts' Trust Account
Summary Statement of Revenue and Expenditures
For the year ended December 31, 2015
(Unaudited)

	Improvement Districts								
	4	9	12	13	24	25	Kananaskis	349	Total
	(Waterton)	(Banff)	(Jasper)	(Elk Island)	(Wood Buffalo)	(Willmore Wilderness)			
Assets	$ 1,236,540	$ 13,516,125	$ 1,022,925	$ 508,634	$ 687,811	$ 183,620	$ 5,602,863	$ 7,948,904	$ 30,707,422
Liabilities	892,425	4,217,998	573,204	239,999	659,893	183,721	1,501,148	2,234,013	10,502,401
Net assets	$ 344,115	$ 9,298,127	$ 449,721	$ 268,635	$ 27,918	$ (101)	$ 4,101,715	$ 5,714,891	$ 20,205,021
Revenues	$ 456,063	$ 1,977,616	$ 425,555	$ 335,283	$ 171,615	$ 119,443	$ 2,865,160	$ 30,659,751	$ 37,010,486
Expenditures	1,013,207	1,842,568	408,800	9,168	167,748	119,544	2,570,661	28,882,717	35,014,413
Excess / (Deficiency) of revenue over expenditure	$ (557,144)	$ 135,048	$ 16,755	$ 326,115	$ 3,867	$ (101)	$ 294,499	$ 1,777,034	$ 1,996,073

Improvement Districts' Trust Account
Detailed Statement of Revenue and Expenditures
For the year ended December 31, 2015
(Unaudited)

	Improvement Districts								
	4	9	12	13	24	25	Kananaskis	349	Total
	(Waterton)	(Banff)	(Jasper)	(Elk Island)	(Wood Buffalo)	(Willmore Wilderness)			
REVENUES									
General Municipal:									
Taxation									
Real property	$ 651,062	$ 2,485,775	$ 49,974	$ 4,407	$ 7,103	$ -	$ 1,235,648	$ 5,239,164	$ 9,673,133
Federal grants	167,401	1,002,430	40,577	30,441	16,477	-	10,547	61,152	1,329,025
Provincial grants	-	-	-	-	-	-	120,905	-	120,905
Power and pipeline	7,124	94,202	142,556	6,085	4,210	-	385,042	14,755,722	15,394,941
Machinery and equipment	-	-	-	-	-	-	-	14,275,735	14,275,735
	825,587	3,582,407	233,107	40,933	27,790	-	1,752,142	34,331,773	40,793,739
Less payment of requisitions to:									
Alberta School Foundation Fund	399,859	1,710,913	175,834	22,432	11,657	-	606,719	4,161,170	7,088,584
Seniors Foundation	-	73,321	11,908	-	-	-	31,026	417,248	533,503
	399,859	1,784,234	187,742	22,432	11,657	-	637,745	4,578,418	7,622,087
General municipal taxes	425,728	1,798,173	45,365	18,501	16,133	-	1,114,397	29,753,355	33,171,652
Government transfers	19,768	32,810	375,073	313,438	155,044	119,443	1,091,382	838,737	2,945,695
Penalties and costs	6,627	22,296	815	1,763	429	-	12,199	2,387	46,516
Interest	3,840	51,947	4,302	1,581	9	-	19,095	65,272	146,046
Utility Services	-	-	-	-	-	-	476,710	-	476,710
Other	100	72,390	-	-	-	-	151,377	-	223,867
	456,063	1,977,616	425,555	335,283	171,615	119,443	2,865,160	30,659,751	37,010,486
EXPENDITURES									
General Municipal:									
Administrative services	53,430	186,821	10,766	735	901	-	372,342	298,839	923,834
Protective services	-	791,421	23,634	-	-	-	1,428,914	-	2,243,969
Transportation services	-	-	-	-	-	-	129,323	-	129,323
Flood disaster services	-	-	-	-	-	-	-	-	-
Assessment fees	9,526	30,633	11,761	8,433	11,612	-	-	113,759	185,724
Grants	-	-	362,639	-	155,235	119,544	-	28,469,220	29,106,638
Recreation and cultural services	788,000	568,064	-	-	-	-	-	-	1,356,064
Utilities	990	7,761	-	-	-	-	83,900	-	92,651
Honorarium	41,800	65,800	-	-	-	-	-	-	107,600
Garbage collection and disposal	-	-	-	-	-	-	402,168	-	402,168
Interest	1,785	-	-	-	-	-	-	-	1,785
Amortization	113,244	171,469	-	-	-	-	138,697	-	423,410
Other expenditures	4,432	20,599	-	-	-	-	15,317	899	41,247
	1,013,207	1,842,568	408,800	9,168	167,748	119,544	2,570,661	28,882,717	35,014,413
Excess / (Deficiency) of revenue over expenditure	$ (557,144)	$ 135,048	$ 16,755	$ 326,115	$ 3,867	$ (101)	$ 294,499	$ 1,777,034	$ 1,996,073

Special Areas Trust Account Financial Statements

For the year ended December 31, 2015

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AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Minister of Municipal Affairs and the Chair of the Special Areas Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2015, and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

April 19, 2016

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	2015	2014
Financial Assets		
Cash and cash equivalents (Note 3)	$ 39,369,846	$ 37,920,171
Accounts receivable (Note 4)	4,159,351	3,914,739
Notes receivable (Note 5)	12,424,111	13,927,923
Due from Province of Alberta (Note 6)	565,750	798,911
Taxes receivable (Note 7)	921,428	891,522
	57,440,486	57,453,266
Investments (Schedule 1)	28,835,804	28,164,370
Total Financial Assets	86,276,290	85,617,636
Liabilities		
Accounts payable and accruals	3,169,510	2,591,453
Vacation accruals	1,055,534	1,062,609
Deferred revenues	392,119	309,175
Deferred government grant revenue (Note 8)	357,879	7,879
Due to Province of Alberta (Note 6)	385,695	695,120
	5,360,737	4,666,236
Long-term debt (Note 9)	10,401,659	12,899,869
Provision for gravel pit reclamation (Note 10)	2,537,000	2,411,000
Total Liabilities	18,299,396	19,977,105
Net Financial Assets (Schedule 3)	67,976,894	65,640,531
Non-financial assets		
Prepaid assets	119,902	142,873
Tangible capital assets (Schedule 6)	216,873,228	211,240,802
Inventory (Note 11)	6,582,881	6,320,276
	223,576,011	217,703,951
Accumulated Surplus (Note 12)	**$ 291,552,905**	**$ 283,344,482**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2014
	BUDGET (Note 13)	ACTUAL	ACTUAL
Revenues			
Taxation			
Power and pipeline	$ 37,822,046	$ 38,049,886	$ 37,311,910
Real property	12,249,791	12,609,332	11,146,235
Grazing and cultivation	770,672	737,321	753,293
Penalties and costs on taxes	75,000	489,648	354,855
	50,917,509	51,886,187	49,566,293
Less requisitions and bad debt (Note 14)	(17,472,259)	(17,867,144)	(17,531,119)
Net taxes for municipal purposes	**33,445,250**	**34,019,043**	**32,035,174**
Leases (Note 15)	10,877,695	8,896,998	8,475,654
Government transfers for operating (Note 16)	6,284,412	5,556,403	5,988,453
Tax recovery land sales	2,080,000	2,972,773	3,282,775
Interest	1,550,956	1,484,517	1,688,317
Government transfers for capital (Note 16)	2,006,615	2,006,615	1,756,668
Other revenue (Note 17)	1,942,500	2,514,896	2,344,837
Total revenues	**58,187,428**	**57,451,245**	**55,571,878**
Expenses			
Transportation services	27,104,379	26,170,928	20,267,332
Administrative services	5,605,695	4,932,992	5,445,840
Water and sanitation services	3,571,353	3,094,808	3,516,785
Agriculture and community development	2,651,725	2,376,877	2,240,144
Recreational and cultural services	2,613,764	2,253,015	2,141,694
Protective services	1,812,560	1,926,340	1,012,482
Industrial tax transfers	580,000	580,000	580,000
Loss on sale of capital assets	100,000	61,971	29,415
Amortization	7,302,078	7,845,891	7,605,001
Total expenses (Note 18)	**51,341,554**	**49,242,822**	**42,838,693**
Excess of revenues over expenses	**$ 6,845,874**	**$ 8,208,423**	**$ 12,733,185**
Accumulated surplus at beginning of year	283,344,482	283,344,482	270,611,297
Accumulated surplus at end of year	**$ 290,190,356**	**$ 291,552,905**	**$ 283,344,482**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2014
	BUDGET (Note 13)	ACTUAL	ACTUAL
Excess of revenue over expenses	$ 6,845,874	$ 8,208,423	$ 12,733,185
Acquisition of tangible capital assets	(10,896,500)	(9,337,450)	(12,231,090)
Construction of roads and road surfaces	(5,012,000)	(4,590,535)	(5,155,804)
Loss on sale of tangible capital assets	100,000	61,971	29,415
Proceeds on disposal of tangible capital assets	470,000	387,697	602,000
Amortization of tangible capital assets	7,302,078	7,845,891	7,605,001
Use of prepaid assets	-	22,971	24,614
Change in inventory	-	(262,605)	209,232
(Decrease) increase in net financial assets	(1,190,548)	2,336,363	3,816,553
Net financial assets, beginning of year	65,640,531	65,640,531	61,823,978
Net financial assets, end of year	**$ 64,449,983**	**$ 67,976,894**	**$ 65,640,531**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Operating activities:		
Excess of revenues over expenses	$ 8,208,423	$ 12,733,185
Amortization of investment premiums, less discounts	(18,272)	106,742
Gain on sale of investments	(110,365)	(138,980)
Amortization of tangible capital assets	7,845,891	7,605,001
Amortization relating to self-constructed assets	(1,821,585)	(1,711,371)
Loss on sale of tangible capital assets	61,971	29,415
Increase in provision for gravel pit reclamation	126,000	-
	14,292,063	18,623,992
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	(221,641)	(433,223)
Due from Province of Alberta	233,161	(497,848)
Taxes receivable	(29,906)	(333,145)
Accounts payable and accruals	570,982	693,341
Deferred revenues	82,944	(35,714)
Deferred government grant revenue	350,000	(884,187)
Due to Province of Alberta	(309,425)	152,188
Inventory	(262,605)	209,232
	413,510	(1,129,356)
Cash provided by operating activities	14,705,573	17,494,636
Capital activities:		
Proceeds of sale of tangible capital assets	387,697	602,000
Purchase of tangible capital assets	(12,106,400)	(15,675,523)
Cash applied to capital activities	(11,718,703)	(15,073,523)
Investing activities:		
Net change in notes receivable	1,503,812	2,495,260
Proceeds from redemption of investments	27,672,014	21,006,151
Purchase of investments	(28,214,811)	(21,727,825)
Cash provided by investing activities	961,015	1,773,586
Financing activities:		
Long term debt repaid	(2,498,210)	(4,309,196)
Cash applied to financing activities	(2,498,210)	(4,309,196)
Increase (decrease) in cash and cash equivalents	1,449,675	(114,497)
Cash and cash equivalents at the beginning of year	37,920,171	38,034,668
Cash and cash equivalents at the end of year	**$ 39,369,846**	**$ 37,920,171**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("the Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Revenue resulting from mineral surface leases are first recognized on the initial agreement date and then on the anniversary date each year thereafter. All other leases are recognized as earned on an annual basis (e.g. cultivation and grazing) and are due and payable at the beginning of the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 (c) Land

(cont'd)

Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statement of Financial Position. Approximately 0.957 million acres of tax recovery land remains unsold as at December 31, 2015 (2014 - 0.999 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Board, is not valued for financial statement purposes. This consists of approximately 1.575 million acres (2014 - 1.575 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2015, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2014 - 0.012 million acres) and are not recorded in the Statement of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the fire insurance proceeds in accounts receivable, allowance for doubtful taxes and accounts receivable, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

(e) Contaminated Site Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post remediation including operation, maintenance and monitoring.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 (cont'd)

(f) Financial Instruments

Cash and cash equivalents, accounts receivable, notes receivable, taxes receivable, amounts due to/from Province of Alberta, vacation accruals and accounts payable are measured at cost.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts are measured at amortized cost.

The fair value of investments are disclosed on Schedule 1.

(g) Requisition over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(h) Investments

Investments are valued at amortized cost adjusted for the applicable amortization of discount or premium using the effective interest method over the period to maturity. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

(i) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

(j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met, and reasonable estimates of the amounts can be determined.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 (k) Non-financial Assets

(cont'd)

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following year.

Inventory

Inventory is valued at the lower of cost or net replacement value. Costs for all inventory is determined by using the first-in-first-out method with the exception of parts inventory, which is valued by using the average costing method.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets

Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having a useful life greater than one year are shown at net book value. Recognition thresholds for these assets are $10,000 for engineered structures or third party software development and $2,500 for all other categories. Purchased land and all other off the shelf electronic data processing equipment are all capitalized.

The Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 2 (k) Non-financial Assets

(cont'd)

Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	Annual Amortization			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Note 3 Cash and cash equivalents

Cash includes funds held in the Consolidated Cash Investment Trust Fund of the Province of Alberta which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2015, the Board's portfolio of securities held by the Fund had an average effective yield of 0.93% per annum (2014 - 1.18% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of $139,572 (2014 - $110,677), are comprised of the following:

	2015	2014
Current:		
From sale of tax recovery land and related mineral surface leases	$ 393,370	$ 431,576
Accrued interest	74,019	59,836
	467,389	491,412
Leases	242,510	114,261
Parks permit receivable	136,498	136,498
Accrued interest on investments	80,664	80,917
Local improvement recoveries	70,393	75,570
Sheerness deadfish irrigation	50,694	-
Oil well drilling	42,427	126,028
Equipment rentals	-	213,999
Miscellaneous	155,958	146,424
	$ 1,246,533	$ 1,385,109
Non-current:		
From sale of tax recovery land and related mineral surface leases	$ 2,659,302	$ 2,230,330
Local improvement recoveries	252,599	299,300
Other	917	-
	$ 2,912,818	$ 2,529,630
	$ 4,159,351	$ 3,914,739

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 6% per annum is applied to tax recovery land sales that commenced in 2004. Sales revenue is recognized when the agreement is signed and first payment is received. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	2015	2014
Current:		
Acadia Foundation	$ 2,468,874	$ 2,380,774
Acadia Foundation - accrued interest	18,107	21,931
	2,486,981	2,402,705
Big Country Waste Management Commission	155,529	-
Neutral Hills Child Care Society	27,281	27,281
Other	44,582	11,944
	$ 2,714,373	$ 2,441,930
Non-current:		
Acadia Foundation	$ 8,755,590	$ 11,224,464
Big Country Waste Management Commission	644,471	-
Neutral Hills Child Care Society	222,719	222,719
Other	86,958	38,810
	$ 9,709,738	$ 11,485,993
	$ 12,424,111	$ 13,927,923

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds were advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2014 - 3.14% to 5.00%). Semi-annual payments totaling $2,859,730 (2014 - $2,859,730) were made in June and December. Interest revenue recognized as a result of this loan in 2015 was $475,131 (2014 - $560,185).

The Big Country Waste Management Commission note is a result of the board entering into a memorandum of understanding to advance funds to complete a new landfill cell construction at Youngstown. Repayment is based on the issuance of an unsecured interest bearing note of a 5 year term at 1.417% interest.

The Neutral Hills Child Care Society note is a result of the board entering into a memorandum of understanding to advance funds to complete a new daycare building in Consort. Repayment is based on the issuance of an unsecured interest bearing note of a 15 year term at 3.00% interest.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 5 Notes Receivable

(cont'd) Principal repayments on long-term receivable are estimated as follows:

2017	2,751,919
2018	2,784,296
2019	1,977,575
2020	815,882
Thereafter	1,380,066
	$ 9,709,738

Note 6 Due from Province of Alberta

The net amount due from (to) the Province of Alberta is comprised of the following:

	2015	2014
Due from Province of Alberta:		
Transportation	$ 17,291	$ 34,637
Municipal Affairs	272,024	175,471
Environment and Parks	44,977	16,236
Service Alberta	231,458	572,567
	565,750	798,911
Due to Province of Alberta:		
Environment and Parks	(277,725)	(240,779)
Other	(107,970)	(454,341)
	(385,695)	(695,120)
Due from Province of Alberta	$ 180,055	$ 103,791

Note 7 Taxes Receivable

	2015	2014
Current taxes	$ 1,678,559	$ 1,566,309
Over levy	34,125	272,908
Tax arrears	2,183,736	1,564,156
	3,896,420	3,403,373
Less allowance for doubtful accounts:	(2,974,992)	(2,511,851)
	$ 921,428	$ 891,522

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 8 Deferred Government Grant Revenue

	2015	2014
Municipal Affairs	$ 350,000	$ -
Agriculture and Forestry	7,879	7,879
	$ 357,879	$ 7,879

Note 9 Long-Term Debt

	2015	2014
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $263,223, including fixed interest at 4.39%, due June 2018	$ 1,233,775	$ 1,691,014
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $251,377, including fixed interest at 4.01%, due December 2018	1,407,787	1,840,984
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $493,631, including fixed interest at 3.34%, due December 2019	3,667,749	4,511,150
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $298,660, including fixed interest at 3.51%, due June 2020	2,466,250	2,963,756
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $162,114, including fixed interest at 3.14%, due June 2021	1,626,098	1,892,965
	10,401,659	12,899,869
Less: current portion	2,590,558	2,498,210
	$ 7,811,101	$ 10,401,659

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 9 Long-Term Debt

(cont'd) Principal repayments on long-term debt in each of the next five years are estimated as follows:

2016	2,590,558
2017	2,686,369
2018	2,522,549
2019	1,837,219
2020	605,356
Thereafter	159,608
	$ 10,401,659

Interest on long-term debt for 2015 amounted to $435,881 (2014 - $569,034).

The total cash payments for interest in 2015 were $439,837 (2014 - $575,138).

Note 10 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act.*

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2015 it was estimated that 906,162 cubic meters (2014 - 860,664 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of $2.80 per cubic meter (2014 - $2.80 per cubic meter), for a total liability of $2,537,000 (2014 - $2,411,000).

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 11 Inventory

	2015			2014
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	$ 1,512,751	$ 29,536	$ 1,483,215	$ 1,523,935
Gravel	4,755,070	-	4,755,070	4,465,065
Culverts	61,442	-	61,442	94,382
Fuel	111,102	-	111,102	136,258
Fencing	85,378	-	85,378	64,967
Chemicals and other	86,674	-	86,674	35,669
Inventory	$ 6,612,417	$ 29,536	$ 6,582,881	$ 6,320,276

Note 12 Accumulated Surplus

Accumulated Surplus consists of equity in tangible capital assets, unrestricted amounts and internally restricted as follows:

	2015	2014
Equity in tangible capital assets	$216,873,228	$211,240,802
Equity in inventory	6,582,881	6,320,276
Unrestricted operational surplus	14,152,341	14,676,401
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	53,944,455	51,107,003
Total Accumulated Surplus (Schedule 4)	$291,552,905	$283,344,482

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 13 Budget

The 2015 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in December 2014. The budget was prepared on a cash basis. A reconciliation to that basis is as follows:

	2015		2014
	Budgeted	Actual	Actual
Excess of revenues over expenses	$ 6,845,874	$ 8,208,423	$ 12,733,185
Acquisition of tangible capital assets	(10,896,500)	(9,337,450)	(12,231,090)
Construction of road and road surfaces	(5,012,000)	(4,590,535)	(5,155,804)
Net transfers to capital	-	-	(1,900,000)
Loss on sale of tangible capital assets	100,000	61,971	29,415
Proceeds on disposal of tangible capital assets	470,000	387,698	602,000
Amortization of tangible capital assets	7,302,078	7,845,891	7,605,001
	(1,190,548)	2,575,998	1,682,707
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	(2,000,000)	(2,837,452)	(3,089,327)
(Deficit, as per Budget)	$ (3,190,548)	$ (261,454)	$ (1,406,620)

Note 14 Requisitions and Bad Debt

	2015	2014
Alberta School Foundation Fund	$ 12,736,190	$ 12,292,167
Seniors Foundation	4,234,716	4,186,342
Bad Debt	896,238	1,052,610
	$ 17,867,144	$ 17,531,119

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 15 Leases

	2015	2014
Mineral surface leases	$ 3,331,853	$ 3,413,959
Equipment rentals	2,070,709	2,003,560
Grazing leases	1,885,297	1,545,731
Community pastures	649,751	631,582
Cultivation leases	415,642	417,668
Miscellaneous leases	132,082	69,268
Easements	128,828	136,588
Rights of entry	98,145	100,138
Other	184,691	157,160
	$ 8,896,998	$ 8,475,654

Note 16 Government Transfers

	2015	2014
Transfers for operating:		
Municipal Affairs	$ 3,065,359	$ 2,763,000
Transportation	1,551,720	1,744,711
Agriculture and Forestry	499,496	1,190,691
Human Services	158,501	147,443
Infrastructure	227,970	142,608
Culture and Tourism	53,357	-
	$ 5,556,403	$ 5,988,453
Transfers for capital:		
Municipal Affairs	$ 2,006,615	$ 1,756,668

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 17 Other Revenue

	2015	2014
Park permits and concession revenues	$ 824,456	$ 308,229
Licence, assignment and application fees	628,817	654,803
Water sales	243,550	212,675
Oil well drilling tax revenue	181,250	299,183
Fire cost recoveries	104,870	86,433
Cost recoveries	78,788	265,675
Gravel sales	70,943	142,671
Bylaw enforcement cost recoveries	53,558	83,650
Insurance revenue	53,047	4,340
Other	275,617	287,178
	$ 2,514,896	$ 2,344,837

Note 18 Total Expenses

Total expenses for the year is analyzed by object as follows:

	2015	2014
Manpower (Schedule 2)	$ 18,105,369	$ 16,314,821
Materials, goods, and utilities	16,050,674	13,339,246
Contract and general services	8,742,074	7,361,884
Amortization of tangible capital assets	7,845,891	7,605,001
Grants	1,540,077	1,711,638
Industrial tax transfers	580,000	580,000
Interest on long-term debt	435,881	569,034
Goods and services from Alberta Government departments		
Alberta Treasury Board & Finance		
Risk Management	280,936	252,040
Investment fees	20,464	20,561
Alberta Municipal Affairs		
Linear assessment	113,564	141,541
Government Services	27,561	27,586
Loss on sale of tangible capital assets	61,971	29,415
Provision for doubtful accounts	28,895	41,730
Less:		
Internal road projects capitalized in the year	(4,590,535)	(5,155,804)
	$ 49,242,822	$ 42,838,693

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 18 Total Expenses

(cont'd) Included in manpower, materials, goods and utilities and contract and general services, are $10,080,304 of expenses (2014 - $4,463,571). These expenses were incurred in the normal course of road construction and road surfacing work performed on secondary highways that are the property of the Department of Transportation.

Note 19 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Board be disclosed as follows:

	2015	2014
Total debt limit	$ 83,166,945	$ 80,722,815
Total debt	10,401,659	12,899,869
Amount of debt limit unused	$ 72,765,286	$ 67,822,946
Debt servicing limit	$ 13,861,158	$ 13,453,803
Debt servicing	2,938,010	2,938,010
Amount of debt servicing limit unused	$ 10,923,148	$ 10,515,793

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 20 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are charged to the Board as disclosed in Note 18.

Grants provided by the Province of Alberta are disclosed in Note 16 and the amounts outstanding at the end of the year are disclosed in Note 6.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 21 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings. The Board's contribution to the PSPP is 11.70% up to the CPP threshold of $52,500, and 16.72% thereafter. The Board's contribution to the MEPP is 21.85% up to the Salary Cap of $138,500.

Total current contributions by the Board in 2015 to the PSPP were $892,630 (2014 - $836,532) and to the MEPP were $211,867 (2014 - $196,496).

At December 31, 2014, the PSPP reported a deficit of $803,299,000 (2013 deficit - $1,254,678,000) and the MEPP reported a surplus of $75,805,000 (2013 surplus - $50,457,000).

The Board is not responsible for future funding of the plan deficit other than through contribution increases.

Note 22 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately $70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditures of that Ministry.

Note 23 Comparative Figures

Certain 2014 figures have been reclassified to conform to 2015 presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board.

Schedule 1

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2015

	2015						2014
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	2.430%	2.435%	March 4, 2019	$ 740,000	$ 758,737	$ 740,110	$ 740,124
Bank of Nova Scotia	2.462%	2.462%	March 14, 2019	500,000	512,291	500,000	500,127
Canada Housing Trust	2.950%	3.080%	March 15, 2015	-	-	-	631,274
Canada Housing Trust	2.750%	1.780%	June 15, 2016	-	-	-	10,819,487
Canada Housing Trust	2.050%	1.590%	June 15, 2017	5,125,000	5,230,480	5,220,883	556,044
Canada Housing Trust	1.700%	1.730%	December 15, 2017	5,650,000	5,758,792	5,706,870	2,652,502
Canada Housing Trust	2.350%	0.783%	December 15, 2018	1,700,000	1,772,439	1,777,554	-
Canada Housing Trust	4.100%	2.479%	December 15, 2018	741,000	810,162	786,514	801,335
Canada Housing Trust	1.950%	1.629%	June 15, 2019	975,000	1,007,040	985,450	988,361
Canada Housing Trust	2.000%	1.681%	December 15, 2019	980,000	1,014,730	991,932	994,826
Canada Housing Trust	3.750%	1.207%	March 15, 2020	620,000	686,699	684,370	-
Canada Housing Trust	1.200%	1.114%	June 15, 2020	650,000	651,012	652,408	-
Canada Housing Trust	1.450%	1.278%	June 15, 2020	740,000	749,036	745,491	-
CPP Investment Board	1.400%	1.440%	June 4, 2020	1,500,000	1,503,606	1,497,689	-
Government of Canada	3.000%	1.180%	December 1, 2015	-	-	-	2,325,597
Government of Canada	1.000%	0.658%	August 1, 2016	205,000	205,616	205,424	-
Government of Canada	3.500%	1.027%	June 1, 2020	482,000	541,249	533,254	-
Province of Ontario	2.100%	2.280%	September 8, 2018	1,000,000	1,030,561	995,670	994,099
Province of Ontario	2.100%	2.132%	September 8, 2019	1,700,000	1,756,160	1,725,111	998,658
Province of Quebec	4.500%	2.318%	December 1, 2018	3,280,000	3,609,437	3,505,688	3,580,005
Royal Bank of Canada	3.040%	2.995%	July 17, 2024	780,000	784,784	781,236	781,541
TD Bank	2.447%	2.447%	April 2, 2019	800,000	820,805	800,000	800,240
				28,168,000	29,203,636	28,835,654	28,164,220
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				$ 28,168,150	$ 29,203,786	$ 28,835,804	$ 28,164,370

Note:

The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant interest rate or currency risks arising from these financial instruments.

The Board does not hold equities in an active market nor engage in derivative contracts or foreign currency transactions.

Schedule 2

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015					2014	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chair of the Special Areas Board (e)	1.42	$ 214,650	$ 14,961	$46,902	$ 276,513	1	$ 171,789
Special Areas Board members	3	33,114	-	2,153	35,267	3	37,710
Director of Finance and Administration	1	137,633	7,522	39,158	184,313	1	169,661
Director of Municipal Services	1	135,095	-	38,535	173,630	1	161,852
Director of Properties Administration	1	113,484	-	33,503	146,987	1	164,168
Roads & Equipment Superintendent	1	110,621	-	33,178	143,799	1	138,217
Managers (f)	3	331,863	-	98,010	429,873	4	550,018
Other full time staff (g)	106	7,916,076	-	1,730,247	9,646,323	99	8,836,000
Part time and casual wage staff		6,303,062	-	702,310	7,005,372		5,782,081
Other Boards and committees		23,229	-	1,092	24,321		17,992
Advisory Councillors	13	39,168	-	6,878	46,046	10	52,466
(Decrease) increase in vacation accrual		(7,075)		-	(7,075)		232,867
		$ 15,350,920	$ 22,483	$ 2,731,966	$ 18,105,369		$ 16,314,821

(a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.

(b) Salary includes pensionable base pay and honoraria.

(c) Other cash benefits includes lump sum payments and vacation payouts. There were no bonuses paid in 2015.

(d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance, tuition and long and shot-term disability plan.

(e) The Chair position was occupied by two individuals during the year. From January to May 2015 there was an Acting Chair in place.

(f) Average salary is $110,621 and average benefits (column c & d) are $32,670 totaling $143,291 (2014 - $137,504).

(g) Average salary is $74,680 and average benefits are $16,323 totaling $91,003 (2014 - $89,253).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2015

Schedule 3

	2015	2014
Change in Financial Assets		
Cash and cash equivalents	$ 1,449,675	$ (114,497)
Accounts receivable	244,612	457,837
Notes receivable	(1,503,812)	(2,495,260)
Due from Province of Alberta	(233,161)	497,848
Taxes receivable	29,906	333,145
	(12,780)	(1,320,927)
Investments	671,434	753,912
Increase (Decrease) in Financial Assets	658,654	(567,015)
Change in Liabilities		
Accounts payable and accruals	(578,057)	(460,474)
Vacation accrual	7,075	(232,867)
Deferred revenues	(82,944)	35,714
Deferred government grant revenue	(350,000)	884,187
Due to Province of Alberta	309,425	(152,188)
	(694,501)	74,372
Long-term debt	2,498,210	4,309,196
Provision for gravel pit reclamation	(126,000)	-
Decrease in Liabilities	1,677,709	4,383,568
Net increase in net financial assets	2,336,363	3,816,553
Net financial assets at the beginning of year	65,640,531	61,823,978
Net financial assets at end of year	**$ 67,976,894**	**$ 65,640,531**

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule 4

	2015		2014
	BUDGET (Note 13)	ACTUAL	ACTUAL
Equity in capital assets at beginning of year		$ 211,240,802	$ 200,190,324
Addition of capital assets:			
Transportation services	3,813,000	4,661,970	8,397,426
Road infrastructure	5,012,000	4,590,535	5,155,804
Water and sanitation services	1,866,000	1,950,445	686,512
Administrative services	3,225,000	1,593,447	1,474,829
Recreation and cultural services	777,600	464,635	532,608
Protective services	585,000	413,613	982,074
Agriculture and community pasture services	629,900	253,340	157,641
	15,908,500	13,927,985	17,386,894
Annual amortization of capital assets		(7,845,891)	(7,605,001)
Disposal of capital assets		(449,668)	(631,415)
		216,873,228	209,340,802
Debt retired in the year		-	1,900,000
Equity in capital assets at end of year (Note 12)		**$ 216,873,228**	**$ 211,240,802**
Equity in inventory at beginning of year		$ 6,320,276	$ 6,529,508
Add purchases and other inventory costs		5,746,865	3,878,024
Deduct requisitions		(5,484,260)	(4,087,256)
Equity in inventory at end of year (Note 11, 12)		**$ 6,582,881**	**$ 6,320,276**
Accumulated operational surplus at beginning of year		$ 14,676,401	$ 15,873,789
Excess of revenues over expenses		8,208,423	12,733,185
Equity change in capital assets and inventory		(5,895,031)	(10,841,246)
		16,989,793	17,765,728
Transfers to internally restricted reserves (Note 13)		(2,837,452)	(3,089,327)
Accumulated operational surplus at end of year (Note 12)		**$ 14,152,341**	**$ 14,676,401**
Internally restricted accumulated surplus at beginning of year		$ 51,107,003	$ 48,017,676
Tax Recovery Land Sales - Transfers from operations		2,837,452	3,089,327
Internally restricted accumulated surplus at end of year (Note 12)		**$ 53,944,455**	**$ 51,107,003**
		$ 291,552,905	**$ 283,344,482**

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Expenditures:							
Manpower (Schedule 2)	$ 3,070,363	$ 258,290	$ 12,149,697	$ 741,220	$ 1,341,654	$ 544,145	$ 18,105,369
Materials, goods, and utilities	98,979	106,793	14,773,307	248,148	277,564	545,883	16,050,674
Contract and general services	796,188	1,561,257	3,836,959	1,903,461	444,266	199,943	8,742,074
Grants	86,133	-	1,500	201,979	287,421	963,044	1,540,077
Interest on long-term debt	435,881	-	-	-	-	-	435,881
Goods and services from GOA	416,553	-	-	-	25,972	-	442,525
Provision for doubtful accounts	28,895	-	-	-	-	-	28,895
Internal road projects capitalized in the year	-	-	(4,590,535)	-	-	-	(4,590,535)
Segmented expenditures per department	$ 4,932,992	$ 1,926,340	$ 26,170,928	$ 3,094,808	$ 2,376,877	$ 2,253,015	$ 40,754,960
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Loss on sale of tangible capital assets	-	-	61,971	-	-	-	61,971
Amortization of tangible capital assets	623,318	658,542	6,027,582	314,443	117,071	104,935	7,845,891
Expenditures per statement of operations	$ 6,136,310	$ 2,584,882	$ 32,260,481	$ 3,409,251	$ 2,493,948	$ 2,357,950	$ 49,242,822
Cash Basis Reconciliation:							
Segmented expenditures per department	$ 4,932,992	$ 1,926,340	$ 26,170,928	$ 3,094,808	$ 2,376,877	$ 2,253,015	$ 40,754,960
Industrial tax transfers	580,000	-	-	-	-	-	580,000
Purchase of tangible capital assets	1,593,447	413,613	9,252,505	1,950,445	253,340	464,635	13,927,985
Tax recovery land sales	2,837,452	-	-	-	-	-	2,837,452
Segmented expenses per cash basis	$ 9,943,891	$ 2,339,953	$ 35,423,433	$ 5,045,253	$ 2,630,217	$ 2,717,650	$ 58,100,397
Budgeted expenditures per cash basis	$ 11,410,695	$ 2,397,560	$ 35,929,379	$ 5,437,353	$ 3,281,625	$ 3,391,364	$ 61,847,976

Note:

The Board provides a range of services to its ratepayers. For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in the segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 2.

Schedule 6

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF TANGIBLE CAPITAL ASSETS
AS AT DECEMBER 31, 2015

	Mobile equipment	Engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2015	2014
Cost									
Balance, beginning of the year	$36,768,737	$24,169,461	$18,872,531	$5,176,801	$1,296,170	$194,951,889	$3,887,493	$285,123,082	$269,815,259
Add:									
Additions during the year	1,767,308	4,084,111	2,462,955	552,275	17,350	4,590,535	453,451	13,927,985	17,386,894
Less:									
Disposals during the year	(569,278)	-	(254,279)	(50,238)	-	-	-	(873,795)	(2,079,071)
Balance, end of the year	$37,966,767	$28,253,572	$21,081,207	$5,678,838	$1,313,520	$199,542,424	$4,340,944	$298,177,272	$285,123,082
Accumulated Amortization									
Balance, beginning of the year	$ 8,911,258	$ 6,885,364	$12,139,782	$2,530,232	$ 141,805	$ 40,524,287	$2,749,552	$ 73,882,280	$ 67,724,935
Add:									
Amortization	1,872,596	648,583	1,751,725	294,498	-	2,734,577	543,912	7,845,891	7,601,201
Depletion	-	-	-	-	-	-	-	-	3,800
Less:									
Accumulated Amortization on Disposals	(255,354)	-	(149,937)	(18,836)	-	-	-	(424,127)	(1,447,656)
Balance, end of the year	$10,528,500	$ 7,533,947	$13,741,570	$2,805,894	$ 141,805	$ 43,258,864	$3,293,464	$ 81,304,044	$ 73,882,280
Net book value, 2015	**$27,438,267**	**$20,719,625**	**$ 7,339,637**	**$2,872,944**	**$1,171,715**	**$156,283,560**	**$1,047,480**	**216,873,228**	**$211,240,802**
Net book value, 2014	$27,857,479	$17,284,097	$ 6,732,749	$2,646,569	$1,154,365	$154,427,602	$1,137,941		$211,240,802

Notes:

- Engineered structures comprise of dams, water/wastewater lines, buildings and engineered structures assets. The ending balance includes $1,723,382 in assets that were under construction at year-end (2014 - $1,676,370); no related amortization was recorded.
- Electronic data processing (EDP) equipment comprise of hardware and software assets. The ending balance has no assets that were currently under development (2014 - $790,919).

ANNUAL REPORT EXTRACTS AND OTHER STATUTORY REPORTS

ANNUAL REPORT EXTRACTS AND OTHER STATUTORY REPORTS

Statutory Report: *Public Interest Disclosure Act*

The *Public Interest Disclosure Act* requires the Minister of Municipal Affairs to report annually on the following parts of the Act.

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* reads:

> 32(1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.
>
> (2) The report under subSection (1) must include the following information:
>
> (a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
>
> (b) the number of investigations commenced by the designated officer as a result of disclosures;
>
> (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.
>
> (3) The report under subSection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available on request.

There was one disclosure of wrongdoing filed with the Public Interest Disclosure Office for the Ministry of Municipal Affairs between April 1, 2015 and March 31, 2016. The investigation is ongoing.

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